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COAST GUARD AUTHORIZATION

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON
COAST GUARD AND NAVIGATION

OF THE

COMMITTEE ON
MERCHANT MARINE AND FISHERIES
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

ON

H.R. 4208

A BILL TO AUTHORIZE APPROPRIATIONS FOR THE COAST GUARD FOR FISCAL YEARS 1987 AND 1988, AND FOR OTHER PURPOSES

FEBRUARY 6, 25, AND MARCH 13, 1986

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COAST GUARD AUTHORIZATION

THURSDAY, FEBRUARY 6, 1986

House of Representatives,
Subcommittee on Coast Guard and Navigation,
Committee on Merchant Marine and Fisheries,
Washington, DC.

The subcommittee met, pursuant to call, at 10 a.m., in room 1334, Longworth House Office Building, Hon. Gerry E. Studds (chairman of the subcommittee) presiding.

Present: Representatives Studds, Biaggi, Carper, Thomas, Jones, Davis, Hartnett, and Miller.

Staff present: K.C. Bell, Jeanne C. Fling, Edmund Welch, Duncan C. Smith, George C. Pence, Suzanne Waldron, Gina DeFerrari, William Woodward, Kurt Oxley, Roger Sullivan, Cyndy Wilkinson, Chris Goebel, Chuck Broches, Lisa Murray, and Christof Tolou.

OPENING STATEMENT OF HON. GERRY E. STUDDS, A U.S. REPRESENTATIVE FROM THE STATE OF MASSACHUSETTS

Mr. Studds. The subcommittee will come to order. The subcommittee meets this morning to discuss the effects of the Gramm-Rudman law on the Coast Guard and also to review the President's proposed budget for fiscal year 1987. This will be the first of three hearings the subcommittee will hold this winter in connection with Coast Guard authorization legislation for the next two fiscal years.

Last year, major controversy developed as a result of a Senate vote to slash the Coast Guard's operating budget by $230 million. When the smoke cleared, hundreds of adjectives and dozens of useful metaphors lay dead on the floor, but the Coast Guard survived. In fact, the Coast Guard emerged from last year's budget battle with a total of $268 million more than the administration request. Unfortunately, the extra money came entirely in the Coast Guard's procurement account, and there remains a substantial shortfall in operating expenses, which are the lifeblood of the service.

This year, largely because of Gramm-Rudman, the news is worse. We have followed voodoo economics for so long we have entered this winter the Land of Oz; and for company we have only a Congress that has no courage, a three-headed Senator who has no heart, and a scarecrow who carried 49 States in the last election.

You have to think about that. It bears reading. Under Gramm-Rudman the wizards of OMB and CBO have mandated a reduction totaling $95 million in Coast Guard budget authority and $73 million in outlays for the current fiscal year. And unless dramatic steps are made by this fall to reduce the national deficit, the computers will mandate reductions five or six or seven or eight times as large for fiscal 1987.

Such an action would literally amputate the operational limbs of the Coast Guard, leaving it without enough people, without enough fuel, without enough boats, and without enough planes to do the many jobs it is required by law and by the national interest to perform.

For 200 years, our Nation has paid the price required to have a U.S. Coast Guard. And we have been amply re-paid by those who have devoted their careers and in many cases, their lives, to Coast Guard service.

Our country now has three choices: we can resume paying for necessary Government services through our taxes; we can continue to bequeath those bills to future generations; or we can leave vital national problems unaddressed. This is as true for other vital functions of Government, as it is for the Coast Guard.

Our purpose today is to assess the effect of various budget options on the ability of the Coast Guard to function during the next 2 years. We will assess not only the effects of the Gramm-Rudman legislation, but also the adequacy of the budget proposed this week by the President. In my judgment, that budget would provide almost enough money for Coast Guard operating expenses during the coming year, but the proposed allowance for procurement is too low by a factor of four.

To discuss these and other subjects, the subcommittee is pleased to welcome once again the Commandant of the Coast Guard, Adm. James Gracey, who is entering his final months in that position. He, like the rest of us, may last year have exhausted the supply of colorful adjectives and memorable similes required to fight and win budget battles in this town, but we look forward, nevertheless, to all that he has to say.

Before you get a chance to do that, Admiral, first may I turn to the ranking member, the gentleman from Michigan.

STATEMENT OF HON. ROBERT W. DAVIS, A U.S. REPRESENTATIVE FROM THE STATE OF MICHIGAN

Mr. DAVIS. Thank you, Mr. Chairman.

Admiral Gracey, and the others from the Coast Guard, we welcome you here today. I know that the news you are going to deliver to this committee is not the kind of news we want to hear, and probably not the kind of news you want to deliver. All of us recognize that Gramm-Rudman is going to have an effect on almost every facet of Government, including the U.S. Coast Guard.

I would guess the best thing that could happen for the Coast Guard is for Congress to reach an agreement on the budget, rather than end up sequestering, because I think there is enough support in Congress, so you would do much better in the way of receiving funds for the Coast Guard than if we have to go across the board.

Whatever cuts the Coast Guard has to come up with, we would hope that you would spread those cuts throughout the broad base of the Coast Guard. As you are well aware, we were very concerned whether the Coast Guard had announced that there were going to be some dramatic changes some time ago because of lack of money on the Great Lakes.

We fought the battle and there was strong support for funding for the Coast Guard. All I say is when you do spread these cuts that they will be spread broadly across the Coast Guard, and I am sure you will do it in a manner that will still enable you to carry out your duties.

Welcome, and I am sure we will have lots of questions as we wind through today's hearing. Thank you, Mr. Chairman.

Mr. STUDDS. The gentleman from North Carolina, Mr. Jones.

STATEMENT OF HON. WALTER B. JONES, CHAIRMAN, COMMITTEE ON MERCHANT MARINE AND FISHERIES

Mr. JONES. Mr. Chairman, thank you.

Admiral Gracey and others, I hope this hearing will serve to emphasize two themes.

First, time and time again, when the administration faces an emergency or an unusual situation, it calls upon the Coast Guard. During the past few days, the administration has summoned the Coast Guard to lead in the sad but necessary search for remnants of the space shuttle *Challenger* off the beaches of Cape Canaveral. I hope today we will learn what resources the Coast Guard ordinarily devotes to a typical space launch and what extra efforts and dollars are being devoted to the salvage of *Challenger*.

We should remember that if the Coast Guard is not funded properly, it will not be able to answer the call, whether that call comes from the President during a time of national testing or whether it comes from an ordinary citizen whose boat is in peril off our shores.

The second theme today is that the automatic Gramm-Rudman cuts scheduled for this fall will inflict disaster on the Coast Guard. The magnitude of the cuts will be bad enough, but the recklessness of Gramm-Rudman comes because the cuts occur across-the-board; they allow no opportunity to set priorities. Thus, in the Coast Guard, we might all agree that funding in operations should be protected while funding for procurement could be reduced significantly without lasting harm.

But we cannot achieve these priorities if we let Gramm-Rudman continue to have the Government run on automatic pilot. We must make our own choices, set our own priorities, and avert the mindless, national damage to the Coast Guard that will ensue under Gramm-Rudman.

In closing, let me announce to one and all I did not vote for Gramm-Rudman.

Mr. STUDDS. Without objection, at this point, a statement by the ranking member of the full committee, the gentleman from New York, will appear in the record.

[The statement of Mr. Lent follows:]

STATEMENT OF HON. NORMAN F. LENT, A U.S. REPRESENTATIVE FROM THE STATE OF NEW YORK

Mr. Chairman, today we begin the important process of considering the Coast Guard's budget authorization for the next 2 years.

The past year has been a fiscal struggle for the Coast Guard. Fortunately, most of the drastic cutbacks proposed have been averted. However, their budget did experience a shortfall and inflation has taken its toll. Thus, they face an immediate problem of having to absorb $63 million in operating expenses for the current budget year. On top of that the projected 1986 Gramm-Rudman-Hollings cuts amount to approximately $76 million. Thus, before this fiscal year is out, the Coast Guard faces potentially a $140 million budget cut before consideration of the 1987 and 1988 fiscal year budgets.

This hearing today will help us better understand the budget situation as it now exists for the Coast Guard. Because of the tight budgetary situation that all Government programs face, we will of course not be able to authorize any frills in the Coast Guard's budget. However, we must insure that they have adequate funding to carry out their important maritime safety, law enforcement, and military defense responsibilities.

I welcome Admiral Gracey, commandant of the Coast Guard, who is here to help us understand the budgetary status of the Coast Guard. I look forward to hearing his analysis and to working with the committee in developing a responsible authorization bill for the Coast Guard.

Mr. **Studds**. Are there other members wishing to make an opening statement?

The gentleman from Washington.

STATEMENT OF HON. JOHN R. MILLER, A U.S. REPRESENTATIVE FROM THE STATE OF WASHINGTON

Mr. **Miller**. I want to applaud you for getting us started in this series of hearings to consider the Coast Guard's budget needs as well as the fiscal realities that we face as we try to reduce our national deficit.

I think over the past year, the budgetary process has frustrated all of us on both sides of this table. We in Congress have not been able or willing to keep timetables or fiscal targets that we set for ourselves. We need to do both, if we are going to avoid the Gramm-Rudman mandated sequestering of funds, and the fact that we are having this hearing on the day after the President sent us this budget, is a sign that we can do what we must do to bring Federal spending under control in a responsibile and prudent way.

I think your listing of options, Mr. Chairman, is an excellent one. Under your revenue option in which you listed taxes, I would also include in that option user fees.

I also want to welcome Admiral Gracey. We know how much the Coast Guard contributes to our national security and safety. The Coast Guard meets many of our national needs; border patrols, both safety, fisheries management, and I want Admiral Gracey to know that the work of the Coast Guard is appreciated. I know we will be busy this year, so thank you for joining us today, and thank you, Mr. Chairman.

Mr. **Studds**. The gentleman from New York.

STATEMENT OF HON. MARIO BIAGGI, A U.S. REPRESENTATIVE FROM THE STATE OF NEW YORK

Mr. **Biaggi**. It seems deja vu to a greater degree. I, like the chairman, did not vote for Gramm-Rudman. I could foresee the consequences. Many of my colleagues particularly were caught up with the emotion of the issue, and had visions that were somewhat obscured, but now it is coming home to roost. When the impact is made on the general population, I am sure there will be a hue and cry across the land.

With regard to the Coast Guard, however, I have been on this committee for some 18 years, and there has never been an occasion when Members haven't spoken glowingly of the Coast Guard. Administrations have spoken equally warmly about the Coast Guard, but they speak with forked tongue, as the Indian would say. They speak out of both sides of their mouth.

They say you are doing a wonderful job. You are essential. The many missions you are engaged in are essential, and you do a great job. With drug interdiction, which we were somewhat responsible for when I served as chairman of this Coast Guard Committee, a major focus in national politics it is so important, and requires more money rather than less. We now find ourselves back to the old position of cuts, speaking so praiseworthy of the Coast Guard, and its efforts on one hand, and emasculating them on the other.

I don't expect, Admiral, that your comments are going to be all that critical, as I understand the nature of things in Washington. I guess most of the people here understand the nature of things. Coastguardsmen have always been team players, and they function with a spartan attitude and spirit. We know exactly what is happening, and that you are hurting.

It is incumbent upon Congress to minimize that hurt. With that thought in mind, I have introduced legislation to repeal Gramm-Rudman, and I know there is a sentiment growing actually among those who voted for it that it might have been a mistake, and we should do something about it. I understand we have a deficit problem, but if we are going to cut, this is not the area to do it.

It is just unconscionable and not fair to a service that has performed so well and has unanimous support. I have to conclude that if this is the treat you are treated to, God protect me from my friends. The enemies you can handle, but your friends are cutting the legs out from under you. I know you will survive, but it is unfair and the nation loses.

Thank you, Mr. Chairman.

Mr. Studds. Thank you. Before we begin, let me say to those who have not been able to find seats, you can sit around the front row if you like. Admiral Gracey, the time is yours. I see you are accompanied by a goodly percentage of the ranking officers of the Cost Guard.

Do you wish to introduce them, and I assume that as of March 1, you will have 4.3 percent fewer of them at your side.

STATEMENT OF ADM. JAMES R. GRACEY, COMMANDANT, U.S. COAST GUARD, ACCOMPANIED BY VICE ADM. BENEDICT L. STABILE, VICE COMMANDANT, U.S. COAST GUARD; REAR ADM. DONALD C. THOMPSON, CHIEF OF STAFF, U.S. COAST GUARD; CAPT. KENT H. WILLIAMS, CHIEF, BUDGET DIVISION, U.S. COAST GUARD; AND CAPT. JOHN C. TRAINOR, CHIEF, PROGRAMS DIVISION, U.S. COAST GUARD

Admiral Gracey. We were going to ask you for a bigger room, Mr. Chairman, but the 4.3 percent got left behind.

Mr. Chairman, first of all I would like to thank you and your colleagues for the very kind words, heartwarming words, about the Coast Guard. Your concern for us and your high praise I take personally on behalf of the men and women of the Coast Guard who do work so hard, and do so well, and I am very grateful.

I am also always pleased to have the opportunity to be with you and the other members of the subcommittee to review and discuss our fiscal year 1987 budget request and the impact of Gramm-Rudman-Hollings legislation on Coast Guard appropriations.

As you noted, there are a few of our high ranking officers here this morning with me: the Vice Commandant, Vice Adm. Benedict Stabile; my Chief of Staff, Rear Adm. Donald Thompson; the Chief of the Programs Division, Capt. John Trainor; and the Chief of the Budget Division, Capt. Kent Williams.

I might point out that these two gentlemen next to me used to be a great deal taller and a great deal heavier before the last several months of struggling with all this.

Our overall request, totaling about $2.4 billion in budget authority, allows a continuation of plans to modernize and improve the effectiveness of the Coast Guard's capital plant; to increase the capability of existing resources; and to achieve savings through improved efficiency of operations and, where feasible, continued contracting out of support activities.

This request, like our requests in recent years, continues to emphasize missions supporting safety, defense readiness, and maritime law enforcement. Funding requested for fiscal year 1987 will provide for full-time equivalent positions for 38,541 military personnel and 5,527 civilian personnel. Because of some unique funding transfers in fiscal year 1986, this year's request shows an apparent increase in budget authority.

Nevertheless, it is a no-growth budget, and it will fund essentially the same program levels as the President's fiscal year 1986 budget request. Part of the increase in fiscal year 1987 budget authority reflects a return to the Coast Guard's budget base of $25.5 million of the fixed costs associated with polar icebreaking operations.

You may remember that I asked the Congress to do that so that we could get back to managing our own fleet. These costs were funded previously through reimbursements. The increase also reflects restoration to the Coast Guard's budget base of $100 million for defense readiness funded by the Department of Defense, Navy, operations and maintenance in 1986. The increase also includes annualization of funding for the fiscal year 1986 pay increase.

If I can go back to the hundred million dollars, you may remember that in trying to help us solve the $230 million cut that was proposed by the Senate, in conference you arranged to have the $100 million covered in DOD [Department of Defense]. That amount would be returned to our funding base in 1987.

The operating expenses appropriation request for $1.883 billion is to fund the operation and maintenance of Coast Guard ships, aircraft, and shore units, including facilities acquired through capital investments in recent years. Of these new acquisitions, funding will provide for operation of the first of the Coast Guard owned aerostats—mobile, tethered-balloon, radar surveillance systems—for use in our drug interdiction effort. Also, in fiscal year 1987 we will put into service 2 more of our new 270-foot medium endurance cuttersand 5 more of our new 110-foot patrol boats, as well as 26 additional short-range recovery helicopters.

In addition, the total amount for operating expenses will be augmented by $30 million to be derived from the boat safety account. Under existing law, $15 million is the maximum amount that can be transferred between these two appropriations. However, we are proposing legislation to increase that authority to $30 million.

The acquisition, construction and improvements appropriation request for $77.1 million in budget authority, together with other resources proposed for reprogramming from the coastal defense augmentation account created in DOD in 1986, will fund capital improvements, including aircraft procurements; cutter acquisitions, rehabilitations, and modernization; and replacement and renovation programs at selected shore facilities.

This combined funding provides for the construction of a new river tender as well as the continued renovation of both the 210-foot medium endurance and the 378-foot high endurance classes of cutters. Ten of thirteen of the new 270-foot class of cutters and 78 of the 96 new replacement short-range recovery helicopters will have been delivered by the end of fiscal year 1987.

Modernization or replacement of obsolete shore facilities will also continue. In looking to the future, fiscal year 1987 funds will be used to buy a prototype of a patrol boat replacement and to begin a major lifeboat replacement program.

No funds are being requested for alteration of bridges for fiscal year 1987. The retired pay appropriation request of $354 million is based upon an average of 24,673 annuitants on the rolls. Two people who will be on those roles next year are sitting at the table today. So please leave at least—no—the request reflects the President's legislative proposal to forego cost of living adjustments in 1987 for all such retirement programs.

The Reserve Training Program, proposed at $65.2 million, will support the selected reserve at an increased level of 13,000 people. This 500 increase is well justified, considering our growing maritime defense zone responsibilities. The Coast Guard Reserve is a valuable contributor to our national security, especially in the areas of strategic mobility, port security and other maritime defense zone activities. It is also a cost-effective asset in support of peacetime Coast Guard missions, and its personnel are available for national emergency or domestic disaster.

The research, development, test and evaluation request totaling $20.5 million is consistent with the level appropriated in fiscal year 1986. This appropriation is directed toward improving the execution of existing missions and programs along with developing the capabilities anticipated for future mission requirements. Research and development offers the opportunity for increased returns in future years through enhanced productivity or cost avoidances.

The boating safety request is for $45 million. This continues the funding level at the amount appropriated for fiscal year 1986. However, as noted earlier, proposed legislation would make $30 million available for us in the operating expenses appropriation of the Coast Guard and the other $15 million available for financial assistance to States.

For the pollution fund, $7 million in permanent authority is requested, as it has been in previous years. For the offshore oil pollution compensation fund and the deep water port liability fund, $1 million is requested for each appropriation along with a maximum obligation limit in these two funds of $60 million and $50 million, respectively.

Our request this year again proposes a system of user fees. However, no new user fee legislation will be submitted. H.R. 1936 effectively covers the administration's proposal for such fees. Enactment of that legislation in 1986 and its implementation in 1987 would provide revenues of $238 million in 1987 and $476 million annually thereafter.

Coast Guard's budget authority for fiscal year 1986 totaled approximately $2.3 billion. Amounts reported for sequestering under the Balanced Budget and Emergency Control Act of 1985, the Gramm-Rudman-Hollings legislation—would effectively reduce that total by $95.7 million. This decrease reflects application of an across-the-board reduction of 4.3 percent in all Coast Guard appropriations that received fiscal year 1986 budget authority with the exception of our retired pay account.

In that account, the 4.3 percent was applied only to the $27 million identified for medical care of retired personnel and their dependents. The additional reduction indicated for retired pay reflects elimination of the planned fiscal year 1986 cost-of-living adjustment for military retirees as mandated by the Gramm-Rudman-Hollings legislation.

Coast Guard resources that were provided in Department of Defense legislation will also be reduced, but by the 4.9 percent applicable to DOD, as opposed to the 4.3 percent applicable to other agencies. These resources include the $100 million in Navy's operation and maintenance account to fund our defense readiness activity as well as the $15 million to provide Coast Guard law enforcement personnel on surface naval vessels at sea in a drug interdiction area. They also include the $375 million provided in the newly established DOD account for coastal defense agumentation.

Obviously all of these reductions will have an impact but those affecting our operating expenses appropriation will be the most noticeable. Those fiscal year 1986 reductions for Gramm-Rudman-Hollings alone total $76 million. When other factors are taken into consideration such as the $36 million shortfall from the President's fiscal year 1986 budget request and the $30 million cost of the fiscal year 1986 increase in military pay and entitlements, which in effect was unfunded—not in effect, was unfunded, the true reduction from planned operating levels amounts to $142 million.

We have already accounted for a part of this reduction through slowdown efforts initiated while operating for the first quarter of this fiscal year under the constraints of several shortterm continuing resolutions. You may remember that at the time the Senate voted to cut us $232 million, I sent out an order directing us to not spend a penny more than we had to and we had some discussion of that here earlier.

That has continued. However, many of those actions were temporary expedients, postponements of things we must eventually do, sort of a "pay me now or pay me more later" situation. We are evaluating various strategies to achieve recurring savings to offset all our shortfall and to minimize—to the extent possible—its impact on our operations and our service to the public.

If I could wrap up on a personal note here, Mr. Chairman. I have highlighted major parts of our fiscal year 1987 budget request which represents another hold the line type of budget. I have also indicated the impact that reductions associated with the Gramm-Rudman-Hollings legislation will have on Coast Guard appropriations. The actions necessary to reduce the national deficit will naturally affect all of the Federal Government, including the Coast Guard.

We will try to make up some of the resulting cuts through productivity improvements, increased efficiencies, and more effective use of our resources, including those new and improved resources acquired as a result of recent major capital investments—the new 110- and 270-foot cutters, the 210- and 378-foot cutters rehabilitation and modernization programs, our new short range recovery helicopters and sensors like Flar and Aireye. These investments will benefit the Coast Guard in the years to come.

Over the past several months, I have answered countless letters, some on behalf of the President and the Secretary of Transportation letters that expressed concern over the funding and staffing and even the future of the Coast Guard, letters from Members of Congress, the media, the public, and from Coast Guard personnel or their families. I would like to leave a message with this committee, to be passed on to all those who might be concerned about the Coast Guard.

Before I do that, I want to express my deep gratitude to everybody within the Congress, within the public, and the media for their overwhelming response to our threatened plight last fall. It was one of the most rewarding things I have ever experienced, and obviously the reaction of the House of Representatives and their 400 to 6 vote in support of correcting our situation, just left us all with a huge smile. We did wonder about those other six people.

The Coast Guard was established in 1790 as the Revenue Cutter Service through the years . . . during peace and war its name changed and its missions grew, but 150 years later in the 1940's it was still there as part of the Navy in World War II, performing rescue missions off the coast of Normandy, taking landing craft onto the beaches at Iwo Jima, in 1947 rescuing the 69 persons on board the ill-fated airplane, *Bermuda Sky Queen*, after it ditched in the Atlantic.

It was there 10 years later in the 1950's during the Korean conflict, in 1959, establishing a chain of Loran-C stations. In the 1960's it was serving with distinction in Vietnam. In the 1970's it was enforcing the Federal Water Pollution Control Act of 1972, and responding to environmental threatening incidents such as the grounding and breaking up of the tanker *Argo Merchant* off the coast of New England.

It was patrolling the 200-mile zone created by the Fishery Conservation and Management Act of 1976. In this decade, it was there off the Coast of Alaska assisting in the rescue of all 520 passengers from the sinking cruise ship, *Prinsendam*. Its cutters were there to help fulfill this nation's commitment in Grenada.

It supported the humanitarian effort in Operation Boatlift for Cuban refugees. It has responded to floods, oil spills, and Marine disasters. It provided waterside security for our Olympic games, and continues to maintain strong maritime law enforcement efforts for both fisheries and drug smuggling. It has moved into the space age with its joint developmental work on use of a search and rescue satellite system to locate distress cases that previously went undetected.

We were on scene when the *Challenger* disaster occurred, and have been literally picking up the pieces ever since. Throughout the important times in our Nation's history the Coast Guard has always been there serving in whatever ways it was needed.

It is not by coincidence that I have mentioned the period of the forties' through the eighties. These are the very years that I personally have been a part of the Coast Guard, or perhaps more appropriately, that the Coast Guard has been a part of me. So I feel I can speak with certainty, a great measure of pride and all sincerity when I say let no one doubt that the Coast Guard will continue its unique and special role in our history; that there will always be a Coast Guard to serve this Nation.

It may be in fewer places. It may be with fewer people and resources, but be there it will, and with its essential character unchanged, still doing its primary missions of marine safety, defense readiness, and maritime law enforcement the best it can. And that best is without equal anywhere.

This concludes my statement. I will be happy to respond to any questions the committee might have. Thank you for your forebearance, sir.

Mr. STUDDS. Thank you, Admiral.

Now that you have discussed the proud history of the Coast Guard, let's discuss Gramm-Rudman. Obviously, I think the first question would be a variation on this. On March 1 of this year, you incur your first, God help what is left of the English language, sequestration under Gramm-Rudman.

You lose some $100 million in budget authority of which some $76 million must come out of budget authority for operating expenses. I know that every member of this committee of this Congress would like to know what that is going to mean for you.

Are you going to have to close stations? Are you going to have to decommission any vessels, ground any aircraft or discharge any personnel or have you given thought to the possibility of closing, say, all Coast Guard facilities in certain geographic areas, for example, New Hampshire and Texas?

I leave out South Carolina——

Admiral GRACEY. I can answer the last one, sir. No, we have given no thought to that.

Mr. STUDDS. I understand.

Admiral GRACEY. We have given a great deal of thought to the problem, obviously. We have been working on it throughout 1986—we expect it to be tough going through 1986 as it certainly has been from almost the very beginning. We have been absorbing—we have been in what we call a slowdown squeeze-down. We have deferred operations, run with smaller crews where we had augmented crews. We have gone to a normal single crew. We deferred maintenance, cut down training opportunities, cut down recruiting.

We have implemented new programs at a slower rate. We have stopped replenishing stores. One of my district commanders the other day told me in his district he went to a small unit and people were buying spare parts with their own money because I had sent out a notice saying "Don't spend anything you don't have to." And the people at that unit were buying spare parts with their personal money so they wouldn't have to use Government money.

I don't know about you, but that makes me want to cry. I can't tell you what the impact will be. It is very uncertain at the moment. Obviously if the Gramm-Rudman sequestration were to go into effect with the across-the-board impact, we certaining would have to do some physical cutbacks.

Mr. STUDDS. It will go into effect in all likelihood.

Admiral GRACEY. If it does without any recognition of the damage that is done with an across-the-board allowance, then we will take some lumps. What we are trying to do is figure out a way to get down to the level where we would have to be at the end of the year and do it in a way that will create the least impact. We will undoubtedly have to start some closures and that sort of thing if the whole thing continues to go, but I can't tell you specifics at this point.

We don't know what they would be. We have an idea how we would do it, but I am not at liberty to talk about it—it is too uncertain.

Mr. STUDDS. I want to make certain we are on the same wave length. Your response to me was with respect to the current fiscal year 1986 budget; is that correct?

Admiral GRACEY. Yes, sir.

Mr. STUDDS. You are saying that it is early to make judgments on that because you want to have a clearer idea of what is likely to happen in 1987?

Admiral GRACEY. I am doing both, Mr. Chairman. Forgive me if I fumbled around with this. This has been the most confusing budget year I have ever had.

Mr. STUDDS. You don't have to tell us that.

Admiral GRACEY. I was trying to communicate to you that we have done a lot of things—we are doing a lot of things in 1986 to help us to survive the fact that we started off the year $66 million in the hole. Before we ever got to Gramm-Rudman, we were $66 million below the President's request level. And that doesn't include some other shortfalls like our military pay shortfall, and I am not talking about just the pay increase. Because our people are so loyal and are staying in, we have had the highest retention rates ever. This means we have an older force. Therefore, we have to pay them more. They have seniority, and are entitled to greater pay. That is another $22 million that we are absorbing.

The $66 million is only the surface—we recognize that as what the budget for 1986 was short, and so we are trying to figure out how to live with it and not get into the kinds of things that we were concerned about before. But you can only do that so long, and we recognize that Gramm-Rudman is there too. And that is another $76.2 million on top of the $66 million hence the $142 million hole that I talked about that takes effect this year. What we are trying to do is to draw down from where we started to where we have got to be at the end of the year, do as much as we can during the year without just slowdown, squeezedown—start making the reductions so that if the whole Gramm-Rudman thing goes and it is carried through in the next year with an across-the-board cut, we will be prepared to make the wholesale closures that would have to be made in 1987.

If there is no indication on the first of March that there is going to be a change or restoration or somebody is going to move things around, we will have to think about some moves. This across-the-board thing wounds programs that shouldn't be wounded and wounds others that should be slain. If we can move things around and slay the ones that ought to be slain and not wound the ones that shouldn't be wounded, that is really what the President would like, and what we all would like.

If we see indications of that, we will be doing different things.

Mr. STUDDS. We are discussing the Gramm-Rudman law, not rational policymaking.

Admiral GRACEY. But the Gramm-Rudman law does allow for some rationality.

Mr. STUDDS. Can you cite the section?

Admiral GRACEY. No; I cannot.

Mr. STUDDS. I didn't think so.

Admiral GRACEY. Only because I am not a lawyer.

Mr. STUDDS. The next question will be some guestimate of 1987, but if I understand you, with respect to the current fiscal year—you say the shortfall is 140-some million dollars.

That is a lot of money to absorb in that period of time. Do I understand you to say that you still aren't sure in response to my question in what the specific consequences of that will be for the remaining 7-plus months?

Admiral GRACEY. The $142 million?

Mr. STUDDS. I think we can assume that as a certainty as of March 1.

Admiral GRACEY. We have a tentative plan as to how to cope with it.

Mr. STUDDS. Could you share that with us?

Admiral GRACEY. No, because it isn't firm. We haven't even shared it with our own people yet. We know there will be closures; ships tied up; airplanes on the ground. That is the only way we can do it. The 1987 budget, Mr. Chairman, would essentially put us back to where we were last year.

Mr. STUDDS. I understand.

Admiral GRACEY. And with that in the offing and the fervent prayer that we will not have more reductions as we had last year, within the Halls of Congress, then we have—we are faced with a situation of a hole this year, essentially a no hole or a very small hole next year, and we are trying to avoid making any drastic moves this year.

Mr. STUDDS. I understand, but let me make sure we understand one another. I will defer further questions, but I want to pursue these first two a little further.

If I understand you correctly, if the 4.3 percent across-the-board sequestration occurs as seems a near certainty at this point, some 3 weeks from now on March 1, you have a plan tentatively, which you cannot reveal to us at the time, as to how you will deal with that eventuality should it occur in approximately 3 weeks; is that correct?

Admiral GRACEY. That is what I said.

Mr. STUDDS. And that plan performance will include the closing of some stations and facilities?

Admiral GRACEY. Depending on the nature of the problem, Mr. Chairman. There are actions going on, I understand, to make adjustments, to adjust this across-the-board thing, and to focus on certain activities that are lower priority than, for example, the Coast Guard, ours, or the FAA. When you have an across-the-board cut, you really nail the personnel intensive operating agencies. We discussed that last time. And the Secretary and the President and those of us who run the agencies are concerned about that and have ideas to propose on how to adjust it, but we have no option. Once the decision was made between OMB and the CBO, and approved by GAO, to go with an across-the-board cut, that is the way the thing had to be laid out. But we are hopeful that somewhere there will be adjustments made.

Mr. STUDDS. Adjustments in what, 1986 or 1987?

Admiral GRACEY. 1986.

Mr. STUDDS. We have three weeks to make any adjustments, and we are going on recess tomorrow.

Admiral GRACEY. What can I say—that is a congressional——

Mr. STUDDS. I understand, but what do you mean when you say you are waiting to see if there are going to be any adjustments?

Admiral GRACEY. I am expecting that there will be proposals made to move away from the across-the-board sequestration and into targeted sequestration.

Mr. STUDDS. Are you talking about congressional action?

Admiral GRACEY. No, Congress will have to approve——

Mr. STUDDS. In the next 3 weeks?

Admiral GRACEY. I hope so. I don't know whether it will take an act of Congress or not.

Mr. STUDDS. It does to change the law.

Admiral GRACEY. As I read the law, the law says unless there is agreement to get down to a certain level by a certain date.

Mr. STUDDS. The way you get agreement in this Government is either through spending reductions or revenue increases.

Admiral GRACEY. But the Congress also can approve reprogrammings.

Mr. STUDDS. Inasmuch as on March 1 under the law this 4.3 percent cut occurs and inasmuch as last week the President served notice of sequestration of those funds pursuant to the law, as he had no choice, and under the law these funds fall across the board on all your accounts, and inasmuch as tomorrow we are leaving town for 10 days for which you may or may not blame us, it seems to me although theoretically possible, extremely unlikely, that the Congress in its infinite wisdom scattered in 50 States and God knows how many counties is going to address this question in the next 3 weeks. If it does not, no amount of wishful thinking on the part of the administration is going to change the law which the administration itself supported.

Admiral GRACEY. That is right.

Mr. STUDDS. And there you go with your hundred and some million dollars. If that happens to you, presumably only part of your problem will be deciding what facilities to close and aircraft and vessels to put to sleep. The rest of your problem will have to be looking toward October 1, when if we don't get our collective governmental act together between the President and the Congress, you will then have to absorb under the law an across-the-board cut, the current guess is 25 or 30 percent.

The final question, and I will defer to my colleagues. Given that very real possibility and given the foresight that you showed several months ago, given the actions of the Senate, are you already looking toward the horrendous possibility of a 25- or 30-percent cut in all Coast Guard functions?

Admiral GRACEY. Yes, sir.

Mr. STUDDS. You are?

Admiral GRACEY. Yes. Despite the planning that we have in place, that would be an absolute disaster for us. It would really clobber us. We do have the President's budget, which would propose to put us up, and then you take that down again. There is no way to say with any certainty, but we are trying to anticipate and have things in place so we could do it in a way that would be as orderly as possible, but to give specifics today——

Mr. STUDDS. I understand. I am sure you know that in the event that action should fall on October 1, it will fall not on the President's budget but on your post-sequestration cuts that you will already have absorbed as of March 1 of this year, and the additional 25- or 30-percent cut will come on top of the 4.3-percent cut which you don't think too highly of as it is?

Admiral GRACEY. I do understand that, but I also understand that the 1987 budget would restore most of what we would lose, not only the Gramm-Rudman-Hollings cut, but also the other $66 million. If that would take place, we would be cutting down from that level. There are so many indefinites, there is no way of giving you a meaningful answer.

Mr. STUDDS. We appreciate that, and I will refrain from asking you what your precise retirement date is. That is an exquisite sense of timing.

Admiral GRACEY. Lest the readers of the record conclude that that retirement had anything to do with Gramm-Rudman-Hollings or the budget cuts, that is the one thing that would lead me to stay on.

Mr. STUDDS. I understand. The gentleman from Michigan.

Mr. DAVIS. Let me pursue the March 1, 1986 Gramm-Rudman issue. As I understand it, on March 1, you are saying that it will take $142 million out of your budget?

Admiral GRACEY. No, sir; $66 million of it is already out as of last October 1.

Mr. DAVIS. Are you saying, Admiral, that on March 1, assuming nothing changes and there is not going to be anything changed, that on March 1 you will then have to immediately put all of the cuts into effect? I was under the impression before that you were going to wait until September 1 before you had to implement those.

Admiral **Gracey**. Here is the way it works. We are already $66 million in the hole, that is operating expenses, and we would be another $76 million in the hole from Gramm-Rudman on March 1 for operating expenses. The total hit for us is $100 million from Gramm-Rudman, but $76 million of that is in operating expense money.

That would mean that our budget for the amount of money we have to spend for operations in 1986 is going to be $142 million lower than we thought we would have to do our thing this year. It means, if you can visualize a graph this way, you start spending on day one, and you spend at a rate which will get you to your total for the year on the last day. That was the original plan. When the $66 million shortfall came in, it meant we coundn't spend up to this original final level. We had to change the rate of spending so we would end at the lower level.

We are two-quarters into the year and now that shortfall is double, so, in effect, we have to adjust again to get to an even lower level. you come here. At the end of the year, we will be $142 million short of where we planned to be. Put another way, we will have had $142 million less to spend than we needed. Sometime between—and we can see it coming, so we have been planning on how to get there, we are trying to figure out how to keep things going so that when we get to the end of the year, we are at that lower level and yet haven't done bodily harm to the Coast Guard. The problem is how to get there.

The next problem is how long we are going to be at that lower level. We are going into 1987. What is going to happen in 1987? Are we going to go back up again as the President has requested, or are we going to go back down again? Is the Congress, as Mr. Biaggi said, going to come to grips with specific priorities or let the thing go through across the board?

I submit that I don't think the Congress is going to let that happen. I think the Congress is going to focus on those things which are going to do less harm, and, therefore, we will be somewhere between where the President's budget request is or whatever lesser level the Congress decides we should be at. The Congress has put us below the President's budget in operating expense money for the last 4 years. So we are going to be somewhere in there, but we don't know where it is, so all we can do is figure alternate ways how to handle whatever it turns out to be.

If we get to that point and not only don't get the increase that the President has asked for to put us somewhere back to normal, but there is an additional cut besides, all hell is going to break loose. I can't tell you what is going to happen, but we are down $142,000 and it is a continuing thing. That $230 million proposed cut last fall was a one-shot deal, and it had to be addressed immediately, so we had to consider the kinds of desperate things that Mr. Hartnett and I talked about before. That is the best way I can explain it.

Mr. **Davis**. You are in a tough time, money is scarce, but you have $592 million in an AC&I account, $217 million in your own budget and some in defense. That is a lot of money.

Admiral—and I know that the law says you can transfer 5 percent of the 217, it is unclear whether you can transfer 5 percent in the defense bill, but I think we could probably pass some amendments that would allow you to do that. Does it make sense to spend all that money on buying new ships, or whatever you are buying, when you are talking about laying up some present ships or perhaps laying up some airplanes? To me, it doesn't make sense to be going ahead buying a whole bunch of ships or whatever and then lay up some of the ones you already have.

Wouldn't you be better off if you could transfer not only 5 percent of that money, but more of that money, back into your operating account? I know you can't do that under present law. But if the Congress were to allow you to transfer some of that money, isn't that a better way to go under the present circumstances?

Admiral GRACEY. It certainly would give us some flexibility, more flexibility than we have with the 5 percent. However, we've got a problem in AC&I as well, the capital account, the $375 million, because there are some things in there which are long-range, very important programs to us. * * * the rehabilitation of the medium endurance cutters and high endurance cutters, the helicopter delivery, the new patrol boats, start of a patrol boat replacement program. What we want to do and what the President's budget envisions, is reprogram so we wouldn't spend those $375 million for the kinds of things proposed in the continuing resolution, but we would reprogram into supporting those ongoing programs.

The Coast Guard's own 1987 AC&I budget will not sustain the long-range major dollar contracts. It is only $77 million, and that is only enough to do some of our own shore work. We need to reprogram the DOD money back into our own AC&I, do some different things with it. You are absolutely correct, it doesn't make an awful lot of sense, unless you are building a replacement vessel, to build a ship. When you haven't got enough money and people to operate the ones you have, to buy more doesn't make an awful lot of sense if you can't find them or provide crews.

Obviously, given our druthers, we would buy more and have the people and the money to operate them. I have been singing that song up here for years, and I am singing on the wrong key, I guess. It is not making it.

Mr. DAVIS. Would the Coast Guard support a move by this committee, or whatever, to earmark or allow a larger percentage of $592 million to be transferred into operating expenses?

Admiral GRACEY. We would not oppose the idea of having the option. However, until such time as we had a look at what the impact would be on the AC&I, I would be uncomfortable if you directed us to do it. If you had in mind making it a permanent kind of enlargement of this possibility——

Mr. DAVIS. I am talking one shot. You are talking about laying up a bunch of ships. You are talking about closing a bunch of search and rescue stations. It doesn't make sense to have that $592 million. Sure, we need to buy the additional equipment, but when we are so short on operating money, it seems to me that it is a heck of a lot more important to keep as many of those stations open, to keep as many of those ships going rather than lay them up, and it is going to cost a lot of money to lay those ships up.

It seems to me that if we could get an agreement to allow you to transfer a higher percentage of that money into your operating account, that you would be better off, and so would the Coast Guard, and so would the public.

Admiral Gracey. What you are saying makes a lot of sense, Mr. Davis. The reason I am hesitating in answering is that I would have to look at what the impact would be. For example, if we were forced into laying up a ship, and I am saying "lay up," not necessarily decommission, but put it aside, take the crew off. If we were required to do that, we would obviously pick the ships that were the least productive for us. We would pick ships that are going to be replaced. Hopefully by the time the replacements arrive, we will have figured out priorities and a way to fund them.

So I would not want to impede our replacement programs that are ongoing. Many of our existing ships are in good condition. We are buying equipment to let us use them better. The same is true of some of our aircraft programs. Those are the kinds of things that carry over where your $592 million figure comes from.

To the extent that we would impede some of those programs, we have to make some value judgments. I can't tell you that every single boat station we have is more important than every single new item we might be going to buy in capital hardware. There are judgments that have to be made. So that's the reason I say I would balk—or I would be worried if you were to say we must move it out of there to pay for OE.

Mr. Davis. That is not what I would have in mind. We would allow you to transfer a certain percentage. In my opinion, it should be much more than 5 percent out of both the defense money and your own money and give you the flexibility to do that. It seems to me that makes more sense.

Obviously, we are not going to say you have to transfer. I don't think that would be the right thing to do.

Admiral Gracey. If you were to give us that kind of flexibility, we wouldn't be opposed; that could be very helpful. It might arrive very late on the scene, not in time to do us much good. If there are proposals made by the Secretary to move some things around within her account, it would be better to support that, I think.

Mr. Studds. The gentleman from North Carolina.

Mr. Jones. Admiral, on a different note, perhaps, but yet still utilizing your experiences for operations, what is the usual level of readiness in terms of equipment and manpower provided by the Coast Guard for a typical space shuttle launch?

Admiral Gracey. Well, Mr. Chairman, we normally are out there providing waterside security, and normally we have one patrol boat, an 82-footer, one 41-footer, a couple of smaller boats, and three or four Coast Guard auxiliary vessels and a mobile radar van. That is the normal waterside security, and that is what was in place the day the *Challenger* went up.

Mr. Jones. Are those costs reimbursed out of the NASA account?

Admiral Gracey. In general they are reimbursed for direct costs from 72 hours before launch up to 4 hours after launch. The costs we have incurred for the action after the tragedy would be, I think, in the line of our normal assistance to other agencies kind of thing and probably would not be reimbursed. We haven't really gone after that one yet. But there is a 76-hour window that we are involved in, and they reimburse us for that.

Mr. **Jones**. Of course, the level of involvement by the Coast Guard in these search efforts following the space shuttle tragedy would far exceed your normal coverage, would it not, sir?

Admiral **Gracey**. Oh, yes, sir; by a long shot.

Mr. **Jones**. Do you have any idea what the cost will be to the Coast Guard for your involvement?

Admiral **Gracey**. We haven't worked out the cost yet, Mr. Chairman, because it is still going on, but I can tell you that we had two C-130's flying at roughly $1,500 an hour, we had a HU-25 with our new AIREYE package aboard. We had two H-3 helicopters, we had three ships, the *Dallas*, a high endurance cutter, a medium endurance cutter, a buoy tender, six auxiliary vessels all using fuel and so forth. It was a major operation. The cost will be high, but I don't know what it is.

Mr. **Jones**. All right, sir. I have no further questions, Mr. Chairman.

Admiral **Gracey**. I might point out, sir, if I may, one of the reasons that we have been doing the squeeze-down/slow-down is that this kind of thing keeps happening to us. Major things come up, somebody crashes, somebody sinks, someone gets lost, we have a hurricane, all those things happen. We need to be able to have the funds to keep going.

Mr. **Jones**. May I observe that unfortunately the average American citizen, as well as the average Member of Congress, as far as I am concerned, do not take this activity, this type of activity in consideration when we analyze the duties to which you are charged.

Admiral **Gracey**. That is true, sir.

Mr. **Studds**. The gentleman from South Carolina.

Mr. **Hartnett**. Thank you, Mr. Chairman.

Admiral, let me join the chorus of voices welcoming you here and lamenting the fact you probably won't be appearing with us too many more times in the future.

It appeared to me, Admiral, that in response to questions from the gentleman from Michigan and the gentleman from Massachusetts, that you indicated you are staking your hopes for the future effectiveness of the Coast Guard on an action which the Congress might take in passage of a budget close to President Reagan's budget, which would put you in somewhat of a financial position where you are today or will be on March 1 and where you might be should a new budget be passed.

I only want to caution you, Admiral, that there are those in the Congress whose programs will come out a lot better if the Congress does not pass a budget under the automatic triggering provisions of Hollings-Rudman and Gramm, and I say that because Senator Hollings is from South Carolina, and I, like the gentleman from North Carolina, voted against the Hollings-Rudman-Gramm. I remind military retirees, Federal retirees and Coast Guard supporters I also voted against the Gramm-Rudman-Hollings Act, but it seems to me there are Members of Congress whose programs will come out better if no budget is passed at all.

Because you will be sequestered not from budget levels but from the March 1, 4.5 percent reduced level. Is that correct, Mr. Chairman? You will come out a lot worse. What I think I am trying to tell you, Admiral, is when you leave, whatever date it might be, be sure and mention back over your shoulder to your successor, don't be living in that fairy tale world of the Wizard of Oz where you think Congress is going to pass a budget to put you in a better position, because it is going to be difficult to get any budget passed in the face of the fact those who have favorite programs will come out better probably because of across-the-board cuts that will take place if no budget is passed at all.

I am fearful you will be in a worse position then, Admiral, than you will be now really. Does that make any sense to you, Admiral?

Admiral **Gracey**. Unfortunately I am afraid I understand you, sir.

Mr. **Hartnett**. Let me just make one more comment. The Coast Guard wouldn't be in the position that you are in right now if, as the chairman described, Congress, with no courage, if we didn't understand things like the Coast Guard were far more vital than things like the Small Business Administration, the Interstate Commerce Commission and many of the other programs, you know, you UDAG's, urban development action grants.

The Coast Guard, in the minds of many of us, is more important than many of those programs, but the fairy tale world in which we have lived and those who have set our budgets have thought we could have all these things, and that is why now the Coast Guard is having to make terrific sacrifices because of all these other programs that are less important.

We hope we are going to get back to priorities, as you said, Admiral, but if we don't, those who favor such programs, as I mentioned, and others will get the same cuts as you get under Hollings-Gramm-Rudman.

Now under a budget you would not. That is why I think you must realize you are not going to get a budget. I will stand at the door and take bets on anyone who wants to leave whether or not you are going to get a budget this year, and I will give you odds.

Admiral **Gracey**. Well, that is a very depressing statement that you have made to us, sir, but let me clarify one thing. Our motto is "semper paratus," and that applies to budgetary situations as well. We are not sitting around fat, dumb, and happy, staring out the window and ignoring everything and assuming everything is going to be rosy. But we do say—the President has come up here and said "Let's work together on this problem," and we have a budget in which the President is supporting us—has asked you to put us back.

There is a focus in the Nation I sense on this whole situation and on the discipline involved, and I would think that through—whether we get a budget or not, that has to remain to be seen, and you are a member up here, and I have to defer to your judgment. But we are hopeful that sooner or later, there will be one and that it will reflect priorities rather than letting somebody in the back room with a green eye shade and computer tell the Government, the Congress, and the executive branch how to run this Government. I hope there will be some judgments made, and we are willing to lay ourselves right on the line on those judgments because we think we stack up in terms of a real honest-to-God benefit to this country in bona fide need priorities as well as anybody.

However, we have made preparations. I would hope that somewhere, if nothing else happens, maybe some of the kinds of things that get tagged onto the budgets and appropriations year after year won't get tagged on. We have had a few of those ourselves, and I just hope that it won't happen, and we will focus on real hard priorities. That is where we are hanging our hats. We have our fingers tightly crossed.

Mr. **Hartnett**. I have no further questions.

Mr. **Studds**. I think we should ask for a recount. No one seems to have voted for Gramm-Rudman. I agree with the gentleman from South Carolina, his junior Senator has been joshing about not getting sufficient credit for his role in this. I think he deserves all the credit the two of us can give him. My hunch is he will be complaining about the opposite in a month.

Does the gentleman from New York wish to make a statement before he leaves?

Mr. **Biaggi**. No, I have heard it all.

Mr. **Studds**. The gentleman from Delaware.

Mr. **Carper**. Thank you. I want to welcome Admiral Gracey back to our subcommittee today. Thank you for your testimony.

Just a question, maybe two questions. First I want to ask about how the Coast Guard is affected by the Department of Defense budget. I think you have touched on that, but I want to pose some questions in the area of readiness, how you measure your readiness, how it is affected this year by the March 1 cuts that will go into effect, that kind of thing. Could you just review with me briefly how the Coast Guard is affected by the DOD budget? I know there is some interaction there.

Admiral **Gracey**. Well, of course, this year we are affected because we have got some pots of money over there that are really ours. But we ran through that—that is not what you mean. You mean about the normal——

Mr. **Carper**. I am talking about the pots of money. Go ahead.

Admiral **Gracey**. We are affected. They are all sequestered, only at a higher rate than ours. Ours are sequestered at 4.3, theirs at 4.9. To the extent our money is over there, it is cut more deeply.

Mr. **Carper**. Let's talk in absolute dollar terms. How much money?

Admiral **Gracey**. $375 million in AC&I, that is capital acquisition and $100 million in operating expense.

Mr. **Carper**. How is the $375——

Admiral **Gracey**. And another $15 million put in for the additional drug enforcement proposal.

Mr. **Carper**. How are those pots of money affected by the sequestration?

Admiral **Gracey**. They will be reduced by 4.9 percent.

Mr. **Carper**. How does that affect you?

Admiral **Gracey**. In terms of dollars? Well, the operating expense money is flowing back to us. Next year we hope to make it official, but right now it is earmarked in an account, and we are spending against it. I guess it is being transferred to us, isn't it?

Captain **Williams**. It will be.

Admiral **Gracey**. It will be transferred to us. It is like our money, but gets reduced by a bigger amount. So, in effect, will get it, it will be there to use, but it will be less. The heart of the capital money is earmarked tentatively in the continuing resolution for some things that would be nice to have but are not our higher priorities faced with shortages elsewhere. We want to propose that money be reprogrammed and spread over the 1986-87 timeframe.

Mr. **Carper**. I am somewhat familiar with how we calculate readiness in the Navy. I am less familiar with how the Coast Guard maintains its own readiness. Could you just explain to us what has happened to your readiness? First of all, in terms of the question of lopping off what, $200 million as Senator Riegle proposed in 1986, how has that affected your readiness, how do you anticipate your readiness being affected on March 1 with the sequestration order becoming effective?

Admiral **Gracey**. Readiness is affected in a number of different ways. We use the same unit reporting system the Navy does, modified. When we are under Navy command, we use theirs. They are all judged, and it is basically the same system. I get a report once a week as to the status of the fleet and the whole business. To that extent, it is similar. The readiness status of our reserve operating unit, reserve units, is judged basically under the same kinds of things. There are different parameters obviously, because we do different things. But the impact of this cut on our readiness, and you are talking defense readiness, we look at day-to-day operational readiness as well, and that really is tied in.

To the extent that we don't have as many ships sailing or airplanes flying or boats available, our ability to do our work on missions goes down because our wartime missions do involve ships, boats, airplanes and lots of people doing their thing in port areas, coastal areas, overseas, or wherever.

I can't give you a number. The training goes down, the ability, just the mere presence, of our people impacts readiness. We already have a gap in personnel strength—including both active duty and selective reserve we are short something on the order of 23,000 compared with our mobilization need. That is a combination of active and regular.

To the extent the active goes down that gap gets bigger. To the extent we don't have as many people out doing their day-to-day thing, we lose experience and readiness skills. When we don't have that presence in operating areas, normally we have people in places around this country where there is nobody else.

The professionalism Coast Guard people get from doing their job every day is translated directly into readiness. That gets hurt to the extent they can't sail as often, fly as often or do their thing as often or in as many places. It is hard to put a number on it, but those are the kinds of ways that readiness, our ability to contribute to the defense program, gets hurt.

A number of people don't understand, and we have a running battle because there isn't understanding—even within the Coast Guard and in some segments of the family—as to what readiness is. Are we talking about how much ammunition we have on the shelf and what kinds of guns do we have? Certainly that is a factor.

Do we talk about the extent to which we engage in exercises? Certainly that is a factor.

It goes beyond that, and it goes into our day-to-day operations because what makes us such a valuable asset is that we are professionals. Today our ships are white, tomorrow they are gray. If that happens, we know what we are doing. We can step in, and we have proved it. The young man who ran the recovery operation, or the salvage operation, of the *Challenger* is a lieutenant, junior grade, less than 3 years out of the Academy, Commander of a 82-foot patrolboat. His district commander, commanding officer Admiral Cueroni, told me—and it is obvious—Admiral Cueroni's words were:

> You would have thought that young man had been doing nothing but controlling Naval ships, Air Force aircraft, and Coast Guard fleets for the last 20 years in space shuttle accidents. He did it like such a pro.

He had never done it before. But he did it when he had to. He is a pro, and all our people are pro's. That is what you lose when your operating forces can't operate. But there is no way to measure that loss.

Mr. CARPER. I appreciate the broad strokes. I am wondering if it is possible to get a bit more specific. I realize you don't carry around numbers in your head, but you have a pretty good team there. Can you give us some idea if your readiness posture is equal at this point in time, in this fiscal year, as compared to a year ago?

Admiral GRACEY. Regarding some things it is better, some things it is not.

Mr. CARPER. Overall. Are the pluses more than the minuses? Can you be a little more specific?

Admiral GRACEY. It is a balance of so many things, Mr. Carper. My inclination is to tell you it is better. It has been getting better every year, but obviously we have drawn down. Many of our ships have been sitting at the dock for 3 months because we have cancelled routine patrols. If there isn't an emergency, they aren't sailing. We have had airplanes sitting on the ground that would normally be flying. We have foregone some training. To that extent our readiness is less. To the extent we have eaten into the spare parts boxes and haven't done preventive maintenance, we are less ready.

But in some respects we are better. We have gone on with operations like the present big drug operation with the Navy in the Caribbean. Those kinds of things have gone on. The new hardware we are buying is being delivered, and we have had operations like the *Challenger* thing. That all beefs up readiness. So it is a balance.

I can't tell you whether we are better or worse. I can tell you there are some things that hurt and some things that have not hurt. It is really too early to have the efforts of showdown, squeeze down show up on the formal reporting system. But we know there are some real negatives.

Mr. CARPER. Let me make a concluding comment. Thank you for that.

I am one of the majority of the House who did vote for Gramm-Rudman and not because I want to see us impose the automatic sequestration. In fact, I hope quite the opposite occurs. I hope that we, as Democrats, working with Republicans, can find that combination of spending restraint really in all sectors of the budget. Maybe with a minor amount of new revenues, in order to enable us to move our deficit reduction targets so that the deep cuts across the board can—I think in some cases mindless cuts—can be ignored, and we look forward to working with you toward that, if you will, grand compromise.

Admiral GRACEY. Thank you, sir.

Mr. STUDDS. Make that Delaware, New Hampshire and Texas. Thank you.

Admiral, I have some questions that are not necessarily related one to the other, but ones I want to get on the record, if you don't mind.

It seems inevitable Congress will spend much of this year trying to develop what we can only describe as a sequestration avoidance device, which will undoubtedly become known as a SAD. With respect to the Coast Guard, I think this may inevitably revive discussion, God help us all, of user fees. You, yourself mentioned it. I remain, as you know, skeptical about the equity of this kind of proposal and about the possible effect of user fees on the attitude of the maritime community for the Coast Guard.

I do have one question, though. Would the administration support legislation to exempt the Coast Guard from cuts under Gramm-Rudman to the extent that user fees are imposed? In other words, would the administration at least agree to a plan whereby the benefits of the user fee proposal would flow directly to the Coast Guard?

Admiral GRACEY. I don't know whether they would or not, Mr. Chairman, but they are in a proprietary receipt file or account or, would be if we had them, would go into a proprietary receipt account now. I have in the past spoken in opposition to the idea of user fee receipts flowing to the Coast Guard. I have always felt our budget ought to stand on its own, and I have been reluctant to tie it into fluctuating levels of reimbursement. That makes it too easy for someone to say "You have $238 million, that is all you need." It makes it impossible for us to plan. User fee are a form of revenue. Let them go to the Treasury, and let us have a firm budget based on its merits and priorities.

I don't know whether administration would support that in the current climate. We are very hopeful that under this climate the idea of using that $238 million to help cut the deficit will be appealing enough so Congress will pass the bill.

Mr. STUDDS. It is not to help with the deficit, but the Coast Guard's budget. That is the distinction. That is what has already separated the administration from this committee on this question, the bottom line.

Admiral GRACEY. The Coast Guard would not be faced with this if we didn't have the deficit.

Mr. STUDDS. I understand that. The question is, where does the money go? The administration wants it to go to the general Treasury, and my question is based on the assumption that it would go to the Coast Guard.

I would rather have it go to you than star wars.

Admiral GRACEY. I understand what you are saying, Mr. Chairman, and all I can say is I have argued against that in the past. I don't know what the administration's position will be.

My reason for arguing was that it was going to tie us to some indefinites.

We wouldn't know until the end of the year how much money we had, and frankly, I don't see what difference it makes. It goes into the Treasury, and relieves the taxpayers from having to pay that much money.

What difference does it make where it goes?

Mr. STUDDS. About 100 million dollars' worth of your money.

Admiral GRACEY. I don't mean where it goes after it gets in there—I mean what account it resides in when it goes in.

Mr. STUDDS. I understand you are not in a position to speak for the administration on that. I thought the idea might catch someone's attention. Every year, the Coast Guard authorization bill includes a specific authorization for military training in various categories, including recruit training, flight training, professional training, and officer acquisition.

This year, the request for authorization for training in each of these areas is down, an average of more than 10 percent from the levels we authorized in 1985 and 1986.

Is it fair to conclude from this that even if the effects of Gramm-Rudman were to be avoided in 1987 and the President's budget for the Coast Guard were to be approved, the Coast Guard would experience a significant drop in training?

This must be reflected in the loss of performance capability in future years.

Admiral GRACEY. Two things have affected our capability to train. One was the Deficit Reduction Act of 1984, which seriously impacted on our travel capability, and we have to travel to train. That made a difference.

The other one is, only half of our problem this year comes from Gramm-Rudman, a little more than half; the other comes from the $66 million hole, and we have to hold back. We have also had an increased retention rate and some other things.

So I think the combination of all those things has led to our estimate that the training levels would be down.

Mr. STUDDS. Could that answer be summarized as yes?

Admiral GRACEY. Yes.

Mr. STUDDS. Thank you.

Bear with me. I am going to read to you a couple sentences from the law, which will lose everybody.

Admiral GRACEY. No. I am sorry; you trapped me into saying yes on your last question.

Mr. STUDDS. I thought you were objecting to my reading from the law.

Admiral GRACEY. No; I mean my answer cannot be summarized as you did.

Mr. STUDDS. Let me remind you of the question. Your answer was so long, I bet you forgot the question. The question was, is it fair to conclude from all of the above that the Guard will experience a drop in training that will inevitably be reflected in the loss of performance capability in future years for all of the above reasons?

Admiral **Gracey**. I am sorry. I did get confused. The answer is yes.

Mr. **Studds**. Thank you. It was my fault. It was too long a question—the answer was even longer.

Now, if you will permit me, I am going to read a couple phrases actually from law, which will probably empty the room, but I want you to answer it, if you can.

Section 255(g) of the Gramm-Rudman law lists, "budget accounts and activities that shall be exempt from reduction under any order issued," under that law. Included on this list are, "intragovernmental funds, including those for which the outlays are derived primarily from resources paid in from other Government accounts, except to the extent such funds are augmented by direct appropriations for the fiscal year during which the order is in effect."

And, "payments to trust funds from excise taxes or other receipts properly credible to such trust funds."

My question is, how, if at all, do these provisions apply to the treatment under Gramm-Rudman of the boating safety account of the Aquatic Resources Trust Fund and other Coast Guard trust funds?

Admiral **Gracey**. The Congressional Budget Office and OMB agreed and GAO approved, they were all subject to sequestering at the 4.3-percent rate.

Mr. **Studds**. Well, I am not about to suggest that Gramm-Rudman reads clearly, but I am not at all sure that is the obvious reading of it. We will try to pursue that a little further.

The President's budget proposes the transfer of $30 million from the boat safety account in 1987 to the Coast Guard, and $15 million for State boating safety programs; this ratio, as I am sure you know, is the opposite of that called for in law.

Given past Coast Guard testimony in support of the full $30 million in funding for State boating safety programs, what is the rationale for the proposed reversal?

Admiral **Gracey**. It was under consideration of the stresses of the moment or of the time in face of the deficit, and all of that.

It was pretty generally felt, Mr. Chairman, that the Coast Guard, which provides about $100 million spread over a lot of services that come back and benefit the boaters in one way or another, would benefit more from that extra $15 million and more benefit to the boater would accrue by applying it to the Coast Guard's direct programs than through the States.

The States will have $15 million, which would be more than appropriated by the Congress every year, except last year, and that is the basic——

Mr. **Studds**. So, what drives that is not so much policy changes as arithmetic pressure; is that correct?

Admiral **Gracey**. It is more than arithmetic. Yes. They are trying to find money to keep the Coast Guard operating, and that is one way of doing it. And they were comfortable with that, because the idea was we work for the——

Mr. **Studds**. I understand. The odds of anybody from OMB getting into a boat are minimal, I suspect.

Admiral GRACEY. I keep wishing we would have boaters who would go over there.

Mr. STUDDS. The thought of some of them at sea is something we might want to contemplate, especially if we had a sudden sequestration of search-and-rescue funds.

It is possible, Admiral, that the Appropriations Committees of the House and Senate will direct you to make the reductions required by Gramm-Rudman without reducing drug law enforcement operations or your participation in the Haitian migrant interdiction operation.

Do you believe guidance of this type, which you have had in the past, would help or harm your ability to cope with Gramm-Rudman in a manner that serves the best overall interest of the country?

Admiral GRACEY. I really wouldn't want that, Mr. Chairman. Guidance of that sort would wreak havoc, both near term and long term. Faced with a shrinking overall envelope, to have a direction that says a certain part of it must be spent on any given thing of this magnitude would really do long-term and short-term harm.

We are a multimission agency. We respond to the priorities, what is going on, and if we were put in a position where we couldn't respond because, my goodness, that is going to spend more dollars than we are allowed, or less, it would be a problem.

I might point out that we were required to spend $328 million in 1986. You will note from the budget exhibit that in the enforcement of laws and treaties area we are going to spend $499 million, but it won't all be in drugs.

We might be out on a fisheries thing, and we find out while we are there that one of those fishermen are carrying drugs. We will shift over and that man——

Mr. STUDDS. There is no precedent for that, you know that.

Admiral GRACEY. Unfortunately, there is a precedent, Mr. Chairman, and we——

Mr. STUDDS. It must be in Texas. Never mind.

Admiral GRACEY. I don't know how you put that in the record. But at that time, you see, we would wind up with drugs or vice versa. It would be a disaster to specify how much we must spend on a given program..

Mr. STUDDS. This question has not much to do with the hearing. Given current events in Haiti, has to your knowledge the administration changed its policy of requiring the Coast Guard to immediately return Haitians picked up at sea to Port-au-Prince with exceptions made only for those who make a specific and immediate claim for political asylum, or is it business as usual?

Admiral GRACEY. There has been no change in that, Mr. Chairman.

Mr. STUDDS. There has been no change, so your folks are operating under the same orders as they have for some time.

Admiral GRACEY. That is correct.

Mr. STUDDS. We may want to take a look at that, too, obviously, given the events of the last few days and weeks there.

Finally, I have a question you would be surprised if I didn't ask you. Given all that is happening, could you describe for us the nature, the location, the cost and the scope—how is that for a question—of the Rescue Swimmer Program—the staff gets carried away sometimes.

What is happening with the Rescue Swimmer Program? That is what the question is.

Admiral GRACEY. The Rescue Swimmer Program is—has been moving. We have three units now established, Elizabeth City, San Francisco, and Astoria, OR; with Cape Cod and Sitka and Clearwater, FL, coming up to be manned with rescue swimmers.

However, the item is not in the 1987 budget, so the program will be—have to be stretched out.

Mr. STUDDS. It is not in the 1987 budget?

Admiral GRACEY. It is not.

Mr. STUDDS. Do some calculations on the part of the OMB that in Alaska, Florida, and New England. There are likely to be some in need of rescue swimming in 1987?

Admiral GRACEY. No, sir. I should point out there is a line item in the budget that talks about capability, it is a $69 million item change. That is left open at this point as to what is going to be involved.

As I said earlier, we don't know what is going to have to be restored. We know we have been eating away at our inventories—we have been mortgaging the future by eating up our supplies, and not doing maintenance.

How the restore capability item will be applied, I don't know. There is not a specific line item for the Rescue Swimmer Program.

Mr. STUDDS. Does that mean for Alaska, New England, and Florida such a program's implementation would be deferred until at least fiscal year 1988?

Admiral GRACEY. No. They are on track, I think. Let me check on that. Those three I mentioned are on track. It is the other helicopters stations I haven't mentioned that will be delayed.

Mr. STUDDS. The six that you mentioned are on track?

Admiral GRACEY. There are three already on line, and three more that are coming.

Mr. STUDDS. That are coming?

Admiral GRACEY. Yes, sir. And those were the Cape Cod, Sitka——

Mr. STUDDS. They are coming regardless of the budget, the stretching out to which you referred?

Admiral GRACEY. At the moment, yes.

Mr. STUDDS. What?

Admiral GRACEY. At the moment.

Mr. STUDDS. Is that between now and March 1, or is that——

Admiral GRACEY. That is as succinct an answer as I can give you, sir.

Mr. STUDDS. Perhaps you could provide for the record the others that might be victimized by stretching out.

[The following was submitted:]

RESCUE SWIMMER PROGRAM AT REMAINING AIR STATIONS

"Stretching out" the rescue swimmer program essentially delays the activation of the rescue swimmer program at only one air station each year for the next five years. The original plan would have implemented approximately five air stations per year for five years. The current plan calls for implementing four units per year. The rescue swimmer program is planned for these remaining air stations:

Barbers Point, HI, Borinquen, PR, Brooklyn, NY, Cape May, NJ, Chicago, IL, Corpus Christi, TX, Detroit, MI, Houston, TX, Humboldt Bay, CA, Kodiak, AK, Los Angeles, CA, Miami, FL, New Orleans, LA, North Bend, OR, Port Angeles, WA, San Diego, CA, Savannah, GA, and Traverse City, MI.

Admiral **Gracey**. If the program were cut off, all helicopter stations I haven't named will be affected unless we can figure out a way——

Mr. **Studds**. I assume you will issue notices to mariners, advising people not to fall overboard until such time as we can fund the program.

I am sorry, I know you feel about it the way I do. It is just a little microscopic picture of what this debate is all about, it seems to me, how somebody down there could be debating—how much money are we talking about in this program?

Admiral **Gracey**. We are talking about building to 125 billets over a 6-year period. At full strength the cost will be about $2.75 million for personnel plus about $431,000 a year for equipment and training.

Mr. **Studds**. You are talking about funds for the personnel involved?

Admiral **Gracey**. Well, the cost, the start-up cost. It is a training cost—it is essentially a training requirement. The equipment is nothing. It is mostly a training cost plus extra billets, so we can have a swimmer on watch.

Mr. **Studds**. I understand. Which is not unrelated to the concept of semper paratus.

Admiral **Gracey**. I am sorry?

Mr. **Studds**. It has to do with semper paratus.

Admiral **Gracey**. It certainly does.

Mr. **Studds**. I appreciate that. I thank you.

Mr. Carper, do you have any more questions?

Mr. **Carper**. No.

Mr. **Studds**. Admiral, we wish you well. I hope you will notice, in keeping with the times, this hearing has lasted approximately 4.3 percent less long than it normally would have lasted, and therefore, you can go back and figure out how to have a slightly less expensive lunch.

Admiral **Gracey**. I trust you also know, Mr. Chairman, it lasted longer with help from me, or rather it lasted less time with no help from me.

Mr. **Studds**. I thank you for your patience. Let me ask you finally, at what point you anticipate your successor taking office?

Admiral **Gracey**. Taking office?

Mr. **Studds**. Being named, I should say.

Admiral **Gracey**. Oh, named. I would guess sometime in the next month or so, sir.

Mr. **Studds**. Postsequestration.

Admiral **Gracey**. Oh, it will be—probably, yes.

Mr. **Studds**. Thank you. We wish you all kinds of internal and other strength that you will need to survive, and those for whom you speak. Thank you, sir.

The meeting is adjourned.

[Whereupon, at 11:35 a.m., the subcommittee was adjourned.]

COAST GUARD AUTHORIZATION

TUESDAY, FEBRUARY 25, 1986

U.S. House of Representatives,
Subcommittee on Coast Guard and Navigation,
Committee on Merchant Marine and Fisheries,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:25 a.m., in room 1334, Longworth House Office Building, Hon. Gerry Studds (chairman of the subcommittee) presiding.

Present: Representatives Studds, Hughes, Carper, Hubbard, Mikulski, Davis, Young, Callahan, and Miller.

OPENING STATEMENT OF HON. BARBARA A. MIKULSKI, A U.S. REPRESENTATIVE FROM THE STATE OF MARYLAND

Ms. Mikulski. The Subcommittee on Coast Guard and Navigation will convene its hearing on the Coast Guard authorization act and other pending legislative issues.

Chairman Studds apologizes for the delay in these proceedings, but weather conditions have delayed his return from the Boston area. We expect him to be joining us momentarily, but as a courtesy to members and to witnesses, we will begin the proceedings, reserving the right, of course, for the chairman to make his own opening statement.

I would like to welcome both committee members and witnesses to this most important hearing.

I would like to make some comments about the legislation before us. Since 1790, the Coast Guard has played a role in protecting and defending our Nation's coastal waters. Its essential mission has always been to assist in our defense readiness, guarantee marine safety, and enforce our maritime laws.

I am deeply concerned, however, that proposed funding levels and administration policy on how these funds are used threaten the Coast Guard's historic role in these areas.

As a subcommittee member for 10 years, I fought for the resources to ensure that the Coast Guard can protect our shoreline from drug smugglers, polluters, and those who threaten our national security.

H.R. 4208, the Coast Guard authorization for fiscal years 1987 and 1988, of which I am an original cosponsor, makes a number of changes to guarantee that our commitment to the Coast Guard will continue. I am particularly pleased that Chairman Studds has included at my request a provision to prevent the contracting out of activities which the Coast Guard performs that are essential for national defense.

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This language parallels the policy on contracting out which is followed by other branches of the armed services which will maintain our strategic industrial base, and it is crucial for our country in the event of war or national emergency.

This provision is particularly important to the Coast Guard yard at Curtis Bay, MD in my congressional district. The Coast Guard yard has served the Coast Guard fleet since 1899. It has provided key industrial support for the Nation in every major armed conflict since World War I.

Because of the yard's importance, I believe that its industrial activities should be protected from the contracting out process.

To emphasize my opposition to contracting out, I have introduced the contracting out section of H.R. 4208 as part of a separate bill which I have introduced called the Coast Guard Defense and Personnel Protection Act. This legislation also contains a waiver on the civilian personnel ceiling which has been imposed arbitrarily on the yard by OMB. Just recently, the President vetoed a bill containing this provision.

The President's ill-advised step reduces the chance for new jobs in Maryland and weakens the Coast Guard's flexibility to use its limited resources as efficiently as possible. Without this waiver, we cannot expect the Coast Guard to maximize the use of the yard for maintaining and upgrading its fleet.

The current personnel ceilings prevent us from fully obtaining and benefitting from a facility that the Navy called an ideal location for berthing and repairing various kinds of Navy vessels. The report also noted that the yard is underutilized because civilian employment has been cut by 50 percent in recent years.

My legislation would simply allow the Coast Guard to employ as many civilians as necessary to carry out the yard's work. It lets the Coast Guard define the yard's workload and not bureaucrats at OMB. It would allow the yard to function like private shipyards based upon the availability of work and funds available.

I plan to offer this legislation as an amendment to the authorization bill during the markup process. I hope my colleagues will join me in a stronger, more efficient Coast Guard by supporting it. And I note that a fellow Marylander joins our committee today, and I thank him for supporting my advocacy on Coast Guard issues.

I now would like to turn to the ranking minority, Mr. Davis, to see if he has any opening statement.

STATEMENT OF HON. ROBERT W. DAVIS, A U.S. REPRESENTATIVE FROM THE STATE OF MICHIGAN

Mr. Davis. Thank you, Ms. Mikulski.

Let me just say that in one of the sections in this bill which has been changed, something that I have had an interest in is the AC&I account. We do change the authorization language to allow the Coast Guard to be able, through the Secretary of the Department, to transfer up to 10 percent of the AC&I funds. That figure used to be 5 percent and still is until we changed it to 10.

Also, other moneys that are allocated, as an example in this case, to the Defense Department, all of those moneys could be transferred if it was found necessary by the Coast Guard.

I think this is important, because all of us recognize that we perhaps could run into a problem with availability of funds. Recognizing that the AC&I account is important to the Coast Guard, I think the most important thing we can do is to make sure the Coast Guard continues to have operating money. This gives them the flexibility to be able to transfer 10 percent of those funds in their own account and also gives them the flexibility of transferring all other moneys into operating.

Madam Chairman, I also would like to submit for the record a statement by Mr. Lent.

Ms. **Mikulski**. Hearing no objection, so ordered.

[Statement of Mr. Lent follows:]

Statement of Hon. Norman F. Lent, a U.S. Representative From the State of New York

Mr. Chairman, today we continue with our hearings concerning Coast Guard budget and policy issues. Last Thursday, you and I, and other members of this committee, introduced the "Coast Guard Authorization Act of 1986," H.R. 4028.

As I view this bill, it is primarily concerned with three main issues: money, boating safety, and contracting activities. It is important that the Coast Guard receive an adequate and appropriate level of funding. This will insure that they have the people and equipment to carry out their important missions of search and rescue, law enforcement, maritime safety, and military readiness.

The issues concerning the Coast Guard's "non-interference with private enterprise" towing policy and the basic funding to carry out the recreational boating safety program is of utmost interest to our committee. In these matters, we have an especially difficult job because so many lives of the boating public are at stake. Therefore, we must be careful that as we balance these interests, that we be fair to all parties concerned and not create disastrous results along the way.

Finally, various contracting provisions have been included in the bill to insure that the Coast Guard has certain core logistic capabilities similar to the Department of Defense, that it is not overburdened by various contract dollar limitations in certain procurement laws, and that their cutters not only are being planned, as in the case of icebreakers, but also built in U.S. shipyards.

I would like to welcome all of the witnesses here today. They are, in fact, the ones affected by these provisions so they should be able to enlighten us as to the proper course we should follow in developing this bill. I notice in addition that we will also hear from representatives of classification societies who will present their views on the recent rulemaking concerning the delegation of certain marine safety functions.

Mr. Chairman, I look forward to working with you to insure the best possible authorization bill for the U.S. Coast Guard.

Ms. **Mikulski**. I thank the gentleman for his comments and look forward to his participation in the legislation.

Congressman Hughes, do you have an opening statement?

Mr. **Hughes**. No, thank you, Madam Chairman.

Ms. **Mikulski**. Congressman Miller.

STATEMENT OF HON. JOHN R. MILLER, A U.S. REPRESENTATIVE FROM THE STATE OF WASHINGTON

Mr. **Miller**. Thank you.

I think Chairman Studds and Congressman Davis are to be commended for developing an authorization package for the Coast Guard that comes in below the fiscal year 1986 budget and for holding these hearings.

I hope that with the witnesses today and in future hearings we will explore a very difficult and unpleasant subject, and that difficult and unpleasant subject is the subject of users' fees. This is a subject that this committee has not been eager to involve itself in, understandably, but I think as we look ahead to the next several years, it may be that we will have to recognize that user fees are important in order to prevent future Gramm-Rudman cuts from reducing the effectiveness of the Coast Guard.

So, while this is an uncomfortable subject, I look forward to discussing this with the witnesses today and other witnesses in the future.

Thank you, Madam Chairman.

[Statement of Mr. Miller follows:]

STATEMENT OF HON. JOHN MILLER, A U.S. REPRESENTATIVE FROM THE STATE OF WASHINGTON

Mr. Chairman, thank you. Earlier this month, under the leadership of you and Mr. Davis, this subcommittee met and discussed with Admiral Gracey the possible impact of the Gramm-Rudman budget deficit reduction law on the Coast Guard. Today, we begin looking at specific details in the your bill, H.R. 4208, "The Coast Guard Authorization Act of 1986."

Mr. Chairman, you and Mr. Davis should be commended for developing an authorization package which comes in below the Coast Guard's budget for Fiscal Year 86 before and after the first round of Gramm-Rudman cuts. Under your leadership, this subcommittee is acting responsibly to help reduce our federal deficit.

So, Mr. Chairman, I hope that today we will also spend a little time discussing the difficult subject of user fees. We should explore the possibility with today's witnesses of earmarking any user fees which may be generated for preventing future Gramm-Rudman cuts from reducing the effectiveness of the Coast Guard.

I know that this is an uncomfortable topic, but as we look down the road at more cuts in the Coast Guard's budget in Fiscal Years 1988 and 89, user fees may be needed. With prudent forethought, we may well be able to keep the Coast Guard operating at levels which protect both public safety and national security.

I am looking forward to today's hearing and yield back my time. Thank you.

Ms. Mikulski. Thank you, Congressman Miller.

The Chair would like to note also that Congressman Don Young of Alaska also has an opening statement which he would like to have included in the record. Without objection, that opening statement is included.

[Statement of Mr. Young follows:]

STATEMENT OF HON. DON YOUNG, A U.S. REPRESENTATIVE FROM THE STATE OF ALASKA

Mr. Chairman, I too think this is a good idea to have this series of hearings on the Coast Guard budget. You know of the strong support that I and the other members of this committee have for the Coast Guard. They perform valuable rescue, law enforcement, safety, and national defense work at a high professional level in spite of what we do to them through the budget.

I would just like to make one specific comment regarding this bill. Section 14 would permit the transfer of forfeited vessels for use in fishing vessel safety education programs. This is the same provision as the bill, H.R. 3529, which you and I introduced last fall. I would like to enter into the record a letter I have received from the Alaska Vocational Technical Center that expresses their support and recommendations for this important provision.

Thank you.

STATE OF ALASKA

DEPARTMENT OF EDUCATION

OFFICE OF ADULT AND VOCATIONAL EDUCATION

ALASKA VOCATIONAL TECHNICAL CENTER

VOCATIONAL/TECHNICAL TRAINING
FOR HIRE EDUCATION

P.O. BOX 615
SEWARD, ALASKA 99664

(907) 224-3322

February 10, 1986

Honorable Don Young
U.S. House of Representatives
Committee on Merchant Marine and Fisheries
Room 1334, Longworth House Office Building
Washington, DC 20515

RE: HOUSE RESOLUTION #3529

We are pleased to see the introduction of this bill to permit vessels forfeited to the United States to be transferred to educational institutions with commercial fishing programs. This will allow many facilities to fill a large gap in their programs: practical experience.

Commercial fishing programs vary greatly. Since the United States Coast Guard currently does not regulate the fishing industry, or administer approval for training programs related to it, I feel the bill should outline criteria for eligibility. I would like to suggest the following:

An eligible school offer at least 2 of the following courses:

Vessel Stability
Firefighting
Shipboard Medical Care;and,

that an eligible school offer:

Marine Safety and Survival
Seamanship/Rules of the Road;

and that any of these offerings should not be less than 8 hours lecture and/or hands-on instruction.

I feel that these offerings are a minimum for an educational instutition to demonstrate that it is committed to promoting the safety and wellness of our commercial fleet through training.

Thank you for your interest and support of the fleet and marine education.

Madelyn Y Walker

MADELYN Y. WALKER
ASSISTANT TRAINING ADMINISTRATOR

c.c. Lt. Commander Rice
Captain Clem McCann
Duncan Smith

[The bill follows:]

99TH CONGRESS
2D SESSION

H. R. 4208

To authorize appropriations for the Coast Guard for fiscal years 1987 and 1988, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 20, 1986

Mr. STUDDS (for himself, Mr. JONES of North Carolina, Mr. LENT, Mr. DAVIS, Ms. MIKULSKI, Mr. BIAGGI, Mr. HUGHES, Mr. YOUNG of Alaska, Mr. FOGLIETTA, and Mr. BARNES) introduced the following bill; which was referred to the Committee on Merchant Marine and Fisheries

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A BILL

To authorize appropriations for the Coast Guard for fiscal years 1987 and 1988, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Coast Guard Authorization Act of 1986".

AUTHORIZATION OF FUNDS

SEC. 2. Funds are authorized to be appropriated for necessary expenses of the Coast Guard for fiscal years, 1987 and 1988 as follows:

(1) For the operation and maintenance of the Coast Guard, $1,862,800,000 for fiscal year 1987 and $1,950,000,000 for fiscal year 1988; and for increases in salary, pay, and other employee benefits authorized by law, such sums as may be necessary for each such fiscal year.

(2) For the acquisition, construction, rebuilding, and improvement of aids to navigation, shore facilities, vessels, and aircraft, including equipment related thereto, $300,000,000 for fiscal year 1987 and $350,000,000 for fiscal year 1988.

(3) For research, development, test, and evaluation, $35,000,000 for fiscal year 1987 and $40,000,000 for fiscal year 1988.

(4) For retired pay including the payment of obligations therefor otherwise chargeable to lapsed appropriations for this purpose, and payments under the Retired Serviceman's Family Protection and Survivor Benefit Plans, and for payments for medical care of retired personnel and their dependents under the Dependents' Medical Care Act, such sums as may be necessary for fiscal years 1987 and 1988.

MILITARY TRAINING

SEC. 3. For fiscal years 1987 and 1988, the Coast Guard is authorized average military training student loads as follows:

(1) For recruit and special training, 3,200 student-years.

(2) For flight training, 110 student-years.

(3) For professional training in military and civilian institutions, 441 student-years.

(4) For officer acquisition, 925 student-years.

TRANSFER OF FUNDS

SEC. 4. (a) Whenever the Secretary of the department in which the Coast Guard is operating determines it to be in the national interest, the Secretary may transfer not to exceed 10 percent of the funds appropriated for the purposes described in paragraph (1) or (2) of section 2 of this Act for use for any purpose described in any paragraph of section 2. If amounts are appropriated to any other officer of the United States for carrying out the purposes described in section 2, that officer may transfer to the Secretary the full amount of the funds so appropriated, and the funds transferred shall be allocated by the Secretary for the purposes described in paragraphs (1) and (2) of section 2.

(b) No transfer of funds may occur under subsection (a) of this section until 15 days after the Secretary has provided written notification to the Chairman of the Committee on Commerce, Science, and Transportation of the Senate and the Chairman of the Committee on Merchant Marine and Fisheries of the House of Representatives stating the reasons for the determination and a description of the purposes for which the funds proposed to be transferred will be used.

LIMITATIONS ON CONTRACTING PERFORMED BY THE COAST GUARD

SEC. 5. (a)(1) It is in the national interest for the Coast Guard to maintain a logistics capability (including personnel, equipment, and facilities) to provide a ready and controlled source of technical competence and resources necessary to ensure the effective and timely performance of Coast Guard missions in behalf of the security, safety, and economic and environmental well-being of the United States.

(2) The Secretary of the Department in which the Coast Guard is operating shall identify those Coast Guard activities that are necessary to maintain the logistics capability described in paragraph (1). The Secretary shall provide a list of such activities to the Committee on Merchant Marine and Fisheries of the House of Representatives and to the Committtee on Commerce, Science, and Transportation of the Senate not later than January 31, 1987. If the Secretary does not provide such list by that date, no activity performed by Coast Guard personnel may be contracted for performance by non-government personnel after that date until the list is provided to such committees.

(b)(1) Except as provided in paragraph (2), performance of an activity identified by the Secretary under subsection (a)(2) may not be contracted for performance by non-government personnel.

(2) The Secretary may waive paragraph (1) with respect to any Coast Guard activity, if the Secretary determines that the performance of that activity by Government personnel is no longer necessary to ensure the effective and timely performance of Coast Guard missions.

(3) A waiver under paragraph (2) may not take effect until a period of thirty days in which either the Senate or House of Representatives is in session has expired after the Secretary has submitted in writing to the Committee on Merchant Marine and Fisheries of the House of Representatives and the Committee on Commerce, Science and Transportation of the Senate, a full and complete statement concerning the waiver and the reasons therefor.

(c) Before the beginning of fiscal years 1987 and 1988, the Secretary shall submit to the Committee on Merchant Marine and Fisheries of the House and the Committee on Commerce, Science and Transportation of the Senate a list of activities that are to be contracted for performance by non-Government personnel under the procedures of Office of Management and Budget Circular A-76 during that fiscal year.

MARITIME DEFENSE ZONE

SEC. 6. Section 2 of title 14, United States Code, is amended by striking out the period at the end and inserting in lieu thereof the following: ", including the fulfillment of Maritime Defense Zone command responsibilities."

CONSTRUCTION IN UNITED STATES SHIPYARDS

SEC. 7. Chapter 17 of title 14, United States Code (relating to administration), is amended by adding at the end the following new section:

"§ 664. Restriction on construction of vessels in foreign shipyards

"(a) Except as provided in subsection (b), no Coast Guard vessel, and no major component of the hull or superstructure of a Coast Guard vessel, may be constructed in a foreign shipyard.

"(b) The President may authorize exceptions to the prohibition in subsection (a) when the President determines that it is in the national security interest of the United States to do so. The President shall transmit notice to Congress of any such determination, and no contract may be made pursuant to the exception authorized until the end of the 30-day period beginning on the date the notice of such determination is received by Congress.".

PAYMENT OF INTEREST TO COAST GUARD AUXILIARY

SEC. 8. Section 830 of title 14, United States Code, is amended by—

(1) inserting "(a)" before "Appropriations"; and

(2) adding at the end the following new subsection:

"(b) The Secretary may pay interest on a claim under this section in any case in which a payment authorized under this section is not made within 60 days after the submission of the claim in a manner prescribed by the Secretary. The rate of interest for purposes of this section shall be the annual rate established under section 6621 of the Internal Revenue Code of 1954.".

POLICY ON USE OF AUXILIARY

SEC. 9. (a) Chapter 23 of title 14, United States Code (relating to Coast Guard Auxiliary) is amended by adding at the end the following new section:

"§ 833. Policy on use of Auxiliary

"The Commandant shall make full use of available and qualified members of the Auxiliary in rendering aid to distressed persons, vessels, and aircraft in accordance with section 88 of this title.".

(b) The analysis of chapter 23 of title 14, United States Code, is amended by adding at the end the following:

"833. Policy on use of Auxiliary.".

TECHNICAL AMENDMENTS TO TITLE 14 AND TITLE 46

SEC. 10. (a)(1) The analysis of parts, before section 1 of title 14, United States Code, is amended by striking out—

"II. Coast Guard Reserve and Auxiliary .... 751"

and inserting in lieu thereof

"II. Coast Guard Reserve and Auxiliary .... 701".

(2) The analysis of chapters of part II of title 14, United States Code, is amended by striking out—

"21. Coast Guard Reserve .... 751"

and inserting in lieu thereof

"21. Coast Guard Reserve .... 701".

(3) Section 82 of title 14, United States Code, is amended by striking out "Federal Aviation Act of 1958, as amended (49 U.S.C. 1301 et seq.)" and inserting in lieu thereof "Federal Aviation Act of 1958 (49 App. U.S.C. 1301 et seq.)".

(4) Section 91 of title 14, United States Code, is amended by striking out the first sentence and inserting in lieu thereof the following: "The Secretary shall control the anchorage and movement of any vessel in the territorial waters of the United States to insure the safety or security of any United States naval vessel in those waters.".

(5) Section 146 of title 14, United States Code, is amended by striking out "Postmaster General" and inserting in lieu thereof "United States Postal Service".

(6)(A) Sections 431, 433, 434, and 438 of title 14, United States Code, are repealed, except that the repeal of such sections shall not affect rights and duties that matured, penalties that were incurred, and proceedings that were begun before the date of enactment of this Act.

(B) The analysis of chapter 11 of title 14, United States Code, is amended by striking out the items relating to sections 431, 433, 434, and 438.

(7) Section 432(g) of title 14, United States Code, is amended—

(A) by inserting "(1)" after "(g)"; and

(B) by striking out the last paragraph and inserting in lieu thereof the following:

"(2) The additional compensation authorized by this subsection shall be included in any computation of compensation under section 6 of the Act of June 20, 1918 (33 U.S.C. 763).".

(8) Section 829 of title 14, United States Code, is amended by striking out "Section" and inserting in lieu thereof "section".

(9) The first section of the Act entitled "An Act to require authorization for certain appropriations for the Coast Guard, and for other purposes", approved June 21, 1963 (77 Stat. 68; 14 U.S.C. 92 note), is repealed.

(b) Title 46, United States Code, is amended—

(1) in section 2101(11b), by inserting "freezing," after "icing,";

(2) in paragraphs (1) and (3) of section 10101, by striking out "owned by a citizen of the United States";

(3) in sections 10313(e) and (h), 10314(e), 10504(a), and 10505(d), by striking out the last sentence;

(4) in section 10504(d)(3), by striking out "(except a vessel taking oysters)".

TOWING LICENSE

Sec. 11. (a) Section 8904 of title 46, United States Code, is amended by—

(1) inserting "(a)" before "A towing"; and

(2) adding at the end the following:

"(b) A towing vessel that tows a disabled vessel shall be operated by an individual licensed by the Secretary to operate that type of vessel in the particular geographic area, under prescribed regulations."

(b) The amendments made by subsection (a) shall take effect on January 1, 1988.

ADMINISTRATIVE COSTS OF BOATING SAFETY PROGRAM

Sec. 12. Section 13103 of title 46, United States Code, is amended by adding at the end the following new subsection:

"(d) Before making any allocation under this section for a fiscal year, the Secretary shall retain not less than one percent nor more than two percent of the amount appropriated for such year for State recreational boating safety programs for the payment of costs of administration of this chapter.".

APPLICABILITY OF CERTAIN LAWS TO COAST GUARD CONTRACTS

SEC. 13. During fiscal years 1987 and 1988—

(1) the Act of March 3, 1931 (40 U.S.C 276a—276a–5) shall not apply with respect to any contract of the Coast Guard of less than $25,000;

(2) section 2 of the Service Contract Act of 1965 (41 U.S.C. 351) shall not apply with respect to any contract (or any bid specification therefor) of the Coast Guard of less than $25,000; and

(3) section 8(e)(1)(A) of the Small Business Act (15 U.S.C. 637(e)(1)(A)) shall not apply with respect to any contract or order of the Coast Guard expected to be less than $25,000.

FORFEITED VESSELS

SEC. 14. (a) Whenever, under a law of the United States, a vessel is forfeited to the United States, the vessel may be transferred, without consideration, to an educational institution with a commercial fishing program that includes courses in vessel safety and seamanship approved by the Secretary of the department in which the Coast Guard is operating.

(b) A transfer under this section shall be made on terms and conditions considered appropriate by the Federal officer making the transfer, including the following:

(1) The educational institution shall be responsible for maintaining the vessel.

(2) The educational institution shall not transfer the vessel except to the United States.

(c) The United States shall not be liable in an action arising out of the use of a vessel which has been transferred under this section.

LIMITATION ON TRAINING

SEC. 15. Notwithstanding any other provision of law, no training or course of instruction may be provided by the Coast Guard to employees of the government or to members of the armed services of the Republic of South Africa during fiscal years 1987 and 1988.

STATUS REPORTS ON POLAR ICEBREAKING VESSELS

SEC. 16. The Secretary of the Department in which the Coast Guard is operating shall provide detailed reports to Congress concerning the status of design and construction plans for the procurement of at least two new polar icebreaking vessels. These reports shall be included in the Cutter Plan required annually by section 663 of title 14, United States Code, and shall be submitted each year until at least two new polar icebreaking vessels have been delivered to the Coast Guard.

○

Ms. MIKULSKI. The Chair would now like to call as its first witness a colleague from Maryland, Congressman Michael Barnes of Montgomery County.

STATEMENT OF HON. MICHAEL D. BARNES, A U.S. REPRESENTATIVE FROM THE STATE OF MARYLAND

Mr. BARNES. Madam Chairman, I very much appreciate the opportunity to testify on the Coast Guard authorization legislation for fiscal years 1987 and 1988.

I know you have a full agenda today, so I am just going to take just a couple of minutes to express my support for this legislation and the vital mission of the Coast Guard.

The work of the Coast Guard is, as you have noted, Madam Chairman, of tremendous importance to the people of coastal Maryland and to the millions of others who either make their living or who spend their leisure time, as my family does and lots of others of us in the Maryland area do, on or near the sea and the Chesapeake Bay.

I also want to voice my appreciation for the leadership of this subcommittee on behalf of the Coast Guard.

Last October, when the Senate voted to cut $230 million from the operating expenses account for the Coast Guard, I was proud to join Chairman Studds and you, Madam Chairman, and other members of this subcommittee in fighting that cut.

We all know that if the cut had been allowed to stand, the Coast Guard, in my judgment, would have been literally destroyed: 6,000 out of the 39,000 military personnel would have been eliminated, 40 cutters would have been decommissioned, 40 aircraft would have been grounded, 15 shoreside search and rescue stations would have been closed, and recruiting would have been virtually suspended.

We avoided that disaster last year, thanks to this subcommittee and to the other supporters of the Coast Guard in the House. But it now appears that we bought ourselves very little time. The Gramm-Rudman Act has already cut $106 million from the Coast Guard for this fiscal year. Next fall, if the full effects of Gramm-Rudman are felt, last year's nightmare will become this year's reality.

The legislation that has been introduced outlines an overall funding program that, although far from extravagant, would at least guarantee the effective operation of Coast Guard programs through the end of 1988. I share the central premise of this subcommittee and Chairman Studds that a strong and well-equipped Coast Guard is in our national interest.

For 5 years, we have listened to the President and to other members of his administration literally rail about the importance of national defense abroad and law enforcement, especially drug-related enforcement, here at home. The tragic irony is that the Coast Guard happens to be the only Federal institution that is both an enforcement agency and a military service. It is the only armed service whose value is fully felt not only in time of war but also in time of peace.

Despite this, the Congress has had to appropriate $2 billion more for the Coast Guard over the past 5 years than was requested by the administration simply to keep the Coast Guard afloat. And that maintains it, as you know, only at the 1980 level of operations.

Madam Chairman, my support for the subcommittee proposal stems in large part from what I consider to be a special partnership between the Coast Guard and the people of our State, the people of Maryland.

Here is the chairman arriving. It is good to see you. The Coast Guard must have gotten you through, Mr. Chairman.

Mr. Studds. I hate to interrupt this.

Mr. Barnes. We are having an excellent discussion, my colleague from Maryland and I. We haven't yet had a disagreement, Mr. Chairman. [Laughter.]

Mr. Studds. Just inform me of the score.

Ms. Mikulski. OMB 99, Coast Guard 0.

Mr. Barnes. Mr. Chairman, I was just saying that my support for your proposal stems in large part from what I consider to be a very special partnership between the Coast Guard and the people of Maryland. There is no question that Coast Guard marine safety navigation aid programs are vital to the safe operation, for example, of the Port of Baltimore. The shipyard at Curtis Bay provides services essential to the functioning of the Coast Guard and employment of hundreds of Marylanders.

The Coast Guard search and rescue programs protect all those who use the Chesapeake and the coastal waters, our commercial fishermen as well as the owners and passengers of the almost 150,000 recreational boats registered in the State of Maryland.

The Coast Guard drug interdiction program helps protect the health and the safety of our youth in Baltimore City where the drug problems have been enormous and all over this State and this region. There is just no substitute for the vital, life-saving protection that is provided by the thousands of dedicated Coast Guard men and women. They risk their lives daily, and they have earned our support.

I also want to voice particular support for two provisions in the authorization bill. First, I strongly support the requirement that the Secretary of Transportation identify the core logistics functions of the Coast Guard, that is, the functions that are essential to the effective performance of the Coast Guard's most important missions.

This provision, which is patterned after similar language affecting the Department of Defense, is based upon the commonsense approach that there are some activities that are of such importance to the country that they ought to be performed by Government rather than contract personnel. If this provision should become law, it seems to me that the work performed at the shipyard at Curtis Bay will belong at the top of the list.

Related to this is the recent Presidential veto of the bill that would have lifted the personnel ceiling at Curtis Bay Shipyard. If this bill had not been vetoed, the Coast Guard would have been able to hire at least 150 workers immediately. In the long run, 600 jobs could have been added.

There is work that is waiting to be done, and the longer we wait, Mr. Chairman, the greater the cost to Coast Guard readiness. It is worth noting that even the United States Navy recognized in a recent study that the Coast Guard yard is underutilized and has excellent potential for homeporting of naval ships.

I think the Presidential veto is shortsighted and I think it hurts the Coast Guard.

I also want to support the requirement that newly procured Coast Guard vessels be built in American shipyards. This is very important. It should go without saying that American tax dollars ought not be used to provide jobs for foreign workers at a time when the American shipbuilding industry itself is in such deep trouble.

In closing, Mr. Chairman, I would like to note the inclusion in the 1984 Coast Guard authorization bill of an amendment to Federal law making it illegal to operate a vessel while intoxicated. I understand that the Coast Guard is presently in the final stages of issuing regulations to implement this provision. We have made some great strides in our efforts to put a stop to drunk driving on the highways, and I want to add my voice to yours as we work to make our coastal waterways safer as well. We are all aware of tragedies that have occurred because of the combination of alcohol and people out on the waters engaged in shipping and recreation.

Mr. Chairman, I very much appreciate the chance to be here this morning. I know you have a very long agenda of witnesses. So, I am particularly grateful for the opportunity to appear.

Mr. **Studds**. Thank you, Michael. I am sure you can understand that I put a little extra effort into attempting to get the snow off my windshield at National Airport knowing that you were the first witness, but I missed most of your statement, and I apologize for that.

Mr. **Barnes**. Well, I have enjoyed, Mr. Chairman, working with you on lots of other issues over the years, and I would be happy to support your efforts in any way that I can on these important questions.

Mr. **Studds**. I appreciate that, and I have enjoyed serving on your subcommittee on another committee, but I appreciate that.

Are there any questions for the gentleman from Maryland?

[No response.]

Mr. **Studds**. Thank you, Michael. We appreciate it very much.

We go now to panel No. 1: Master Chief Petty Officer Carl Constantine of the U.S. Coast Guard and Commodore Chris Lagen of the U.S. Coast Guard Auxiliary.

Chief, if you will begin, welcome.

STATEMENT OF MASTER CHIEF CARL W. CONSTANTINE, U.S. COAST GUARD

Chief **Constantine**. Good morning, Mr. Chairman.

I am Master Chief Constantine, master chief of the Coast Guard. With your permission, I will summarize my statement and submit it for the record, sir.

Mr. **Studds**. All efforts at brevity will be accepted. Thank you.

Chief **Constantine**. It is indeed an honor to be here today on behalf of the enlisted men and women of the Coast Guard. We sincerely thank you for the opportunity to share some feelings with you from the deckplates.

Presently, there are approximately 30,800 enlisted men and women on active duty. They are assigned to approximately 1,000 commands throughout the world.

Despite the great diversity of our enlisted personnel, their concerns are very similar. The concerns center on quality of life issues which include getting the proper hardware so they can do their jobs and attending to their personal and family needs so they can give full attention to the job at hand. Retaining the current retirement system, adequate medical care, affordable housing, relocation costs upon transfer, and educational opportunities are of great concern to them.

Habitability improvements of their units are very desirable. Our shoreplan habitability improvements are lagging due to the need to keep safe and productive ships, boats, and aircraft on the line.

They are very concerned about the future of the Coast Guard and their careers because of possible budget reductions. However, I can assure you, Mr. Chairman, regardless of the outcome of this or any future budget, the enlisted men and women of the Coast Guard will be there doing the best they can with what they have.

Thanks to the support of this administration and Congress for the Armed Forces of this country, there is again a little spring in the step of the men and women who wear their Nation's military uniforms, there is again a look of pride in their eyes. They know they have a proud heritage deserving of their best efforts to keep it so. Your concern and support will guarantee we will continue to attract and retain the very best. I am asking you to continue to take care of them; they deserve it.

Mr. Chairman, this concludes my statement. I will be happy to respond to any questions the committee may have.

Thank you very much, sir.

[Prepared statement of Chief Constantine follows:]

PREPARED STATEMENT OF MASTER CHIEF CARL W. CONSTANTINE

MR. CHAIRMAN, I AM HONORED TO HAVE THE OPPORTUNITY TO SHARE WITH YOU SOME OF THE FEELINGS, FROM THE DECK PLATES, OF OUR ENLISTED MEN AND WOMEN. BY HAVING ME HERE TODAY, YOU HAVE SENT A VERY POSITIVE SIGNAL TO OUR ENLISTED COMMUNITY THAT OUR LAWMAKERS CARE ABOUT THE DESIRES AND CONCERNS OF OUR COAST GUARD ENLISTED MEN AND WOMEN. WE SINCERELY THANK YOU FOR THAT.

AS MASTER CHIEF OF THE COAST GUARD, ONE OF MY PRIMARY FUNCTIONS IS ADVISING THE COMMANDANT ON ENLISTED MATTERS. THEREFORE, I MUST MAKE SURE I AM WELL INFORMED ON CURRENT ISSUES OF IMPORTANCE TO ENLISTED PEOPLE. I DO THIS BY VISITING OUR UNITS, ASKING QUESTIONS, AND LISTENING. MANY POSITIVE CHANGES HAVE BEEN MADE TO ENHANCE THE QUALITY OF LIFE FOR OUR PEOPLE THROUGH THIS PROCESS.

OVERVIEW OF THE COAST GUARD'S ENLISTED FORCE STRUCTURE

TO BETTER UNDERSTAND WHAT I PERCEIVE ARE PARTICULAR NEEDS AND CONCERNS OF THE COAST GUARD'S ENLISTED MEMBERS, I WOULD LIKE TO GIVE YOU AN OVERVIEW OF OUR

ENLISTED FORCE STRUCTURE. OUR ACTIVE ENLISTED FORCE CONSISTS OF OVER 30,800 MEN AND WOMEN. THE AVERAGE AGE OF AN ENLISTED MEMBER IS 27 YEARS AND THE AVERAGE TIME IN SERVICE OF A MEMBER IS 6.8 YEARS. OUR CHIEFS AND PETTY OFFICERS SERVE IN TWENTY-FOUR MILITARY OCCUPATIONAL SPECIALTIES OR RATINGS ASSIGNED THROUGHOUT THE WORLD AT APPROXIMATELY 1000 DIFFERENT COMMANDS. MANY ARE ASSIGNED TO ISOLATED OR REMOTE AREAS. THE SIZE OF OUR COMMANDS ALSO VARIES GREATLY. FOR EXAMPLE, GOVERNORS ISLAND, NEW YORK, HAS OVER 1350 ENLISTED PERSONNEL ONBOARD; HOWEVER, THE MAJORITY OF OUR COMMANDS HAVE A MUCH SMALLER COMPLEMENT WITH LESS THAN 50 ENLISTED MEMBERS ATTACHED.

PARTICULAR NEEDS AND CONCERNS OF ENLISTED MEMBERS

DESPITE THE GREAT DIVERSITY OF OUR ENLISTED FORCE IN TERMS OF AGE, ETHNIC ORIGIN, GEOGRAPHIC LOCATION, AND MILITARY SPECIALTIES, THEIR CONCERNS EXPRESSED TO ME DURING MY PRESENT ASSIGNMENT ARE SURPRISINGLY SIMILAR. THESE CONCERNS AND NEEDS CENTER ON QUALITY OF LIFE ISSUES WHICH INCLUDE GETTING THE APPROPRIATE HARDWARE THEY NEED TO DO THEIR JOB UP TO THEIR GREAT CAPABILITY... AND ATTENDING TO THEIR PERSONAL AND FAMILY NEEDS SO THEY CAN GIVE FULL ATTENTION TO THE JOB AT HAND.

RETIREMENT SYSTEM

OUR ENLISTED PERSONNEL ARE VERY CONCERNED WITH PROPOSED CHANGES TO THE PRESENT RETIREMENT SYSTEM. THE CONTINUAL DISCUSSIONS ASSOCIATED WITH CHANGES TO THE RETIREMENT SYSTEM LEAVE THEM WONDERING WHAT WILL ACTUALLY BE AVAILABLE TO

THEM WHEN THEY RETIRE. IN ADDITION TO THE UNCERTAINTY SURROUNDING OUR RETIREMENT SYSTEM, THE INITIAL FEEDBACK I HAVE RECEIVED REGARDING RECENT CHANGES TO THE SURVIVOR BENEFIT PLAN IS ALMOST ALL NEGATIVE. OUR MEMBERS DO NOT FEEL IT IS EQUITABLE THAT THEIR SPOUSE HAS FINAL DETERMINATION AS TO WHETHER OR NOT A MEMBER PARTICIPATES IN THE PROGRAM AND TO WHAT EXTENT.

SELECTIVE REENLISTMENT BONUS (SRB) PROGRAM

CONTINUATION OF THE SRB PROGRAM IS VERY IMPORTANT TO BOTH OUR JUNIOR AND MIDDLE GRADE PETTY OFFICERS. THIS PROGRAM PROVIDES FINANCIAL INCENTIVES TO RETAIN MEMBERS SERVING IN CRITICAL RATINGS IN THE SERVICE. I CONTINUALLY HEAR CONCERNS AS TO WHETHER LEGISLATION WILL BE ENACTED TO CONTINUE THE PROGRAM BEYOND SEPTEMBER 30, 1987.

MEDICAL CARE

ADEQUACY OF MEDICAL CARE FOR MEMBERS AND THEIR DEPENDENTS HAS BEEN A CONCERN EXPRESSED TO ME DURING MY MANY VISITS TO FIELD UNITS AND AT MY DESK. SINCE OUR MEMBERS ARE OFTEN ASSIGNED TO AREAS WHERE MILITARY MEDICAL FACILITIES ARE NOT AVAILABLE, A VIABLE CHAMPUS PROGRAM IS PERHAPS EVEN MORE IMPORTANT TO THE COAST GUARD THAN TO THE OTHER ARMED FORCES. I BELIEVE THAT DECREASING THE UP-FRONT COSTS PAYABLE BY THE MEMBER AND INCREASING THE NUMBER OF INSTITUTIONS/INDIVIDUALS WHO WILL ACCEPT CHAMPUS ARE BOTH DESIRABLE.

RELOCATION COSTS

DESPITE THE INCREASED ALLOWANCES PROVIDED BY THE FY-86 DEPARTMENT OF DEFENSE AUTHORIZATION ACT FOR PERMANENT CHANGE OF STATION (PCS) TRANSFERS, A MAJORITY OF OUR MEMBERS STILL MUST FUND A PORTION OF THE MOVE THEMSELVES. ALTHOUGH THE SERVICE HAS GENERALLY INCREASED TOUR LENGTHS DURING RECENT YEARS, WHEN MEMBERS MUST RELOCATE, THE TIME REQUIRED TO SELL THEIR HOMES IS OFTEN SEVERAL MONTHS. THIS FACT, COUPLED WITH THE MEMBER BEING REQUIRED TO FUND CLOSING COSTS AND REALTY FEES ASSOCIATED WITH BOTH SELLING AND BUYING A HOME, MAKES IT EXTREMELY DIFFICULT FOR OUR ENLISTED MEMBERS TO HOLD THEIR OWN IN THE HOUSING MARKET.

EDUCATIONAL OPPORTUNITIES

IN MY OPINION, THE ABILITY OF ALL SERVICES TO OFFER AN EDUCATIONAL PROGRAM, SUCH AS THE NEW GI BILL, HELPS US ENLIST HIGHLY QUALIFIED AND MOTIVATED INDIVIDUALS. HOWEVER, DURING MY TRIPS I CONTINUE TO HEAR CONCERNS EXPRESSED REGARDING THE FUTURE OF THIS PROGRAM. MEMBERS WHO ENTERED THE SERVICE DURING OR PRIOR TO THE VIETNAM ERA ARE VERY CONCERNED ABOUT THE POSSIBILITY OF HAVING TO USE OR LOSE THEIR BENEFITS BY 1989. RECENT ENLISTEES ARE ALSO CONCERNED THAT THEY CANNOT CHANGE THEIR OPTION TO EITHER PARTICIPATE OR NOT PARTICIPATE AT A LATER DATE. ALSO, MANY OF OUR RECRUITS SIMPLY CANNOT AFFORD TO PARTICIPATE IN THE PRESENT PROGRAM SINCE THEIR IRREVERSIBLE DECISION MUST BE MADE WITHIN 2 WEEKS AFTER ARRIVING AT BOOT CAMP.

HOUSING

OUR COAST GUARD PEOPLE LIVE IN A VARIETY OF HOUSING. SOME LIVE IN GOVERNMENT OWNED OR GOVERNMENT LEASED QUARTERS AND MANY LIVE IN HOUSING THEY HAVE EITHER PURCHASED OR RENTED THEMSELVES. ALL ARE VERY INTERESTED IN THE HOUSING SITUATION. BECAUSE MANY ARE ASSIGNED TO HIGH COST OR REMOTE AREAS WHERE MILITARY QUARTERS ARE NOT AVAILABLE, GOVERNMENT LEASING OF HOMES IN THE CIVILIAN COMMUNITY IS OFTEN THE ONLY WAY A LARGE PORTION OF OUR ENLISTED MEMBERS CAN OBTAIN HOUSING. IN SOME AREAS IT IS HARD TO GET LEASING EVEN FOR THE GOVERNMENT. THIS IS A VERY ESSENTIAL PROGRAM... ESPECIALLY WITH OUR JUNIOR ENLISTED PERSONNEL TOWARDS WHOM IT IS TARGETED. I ROUTINELY FIELD QUESTIONS FROM THE TROOPS REGARDING THE CONTINUATION OF THIS PROGRAM.

WORK ENVIRONMENT

HABITABILITY IMPROVEMENTS IN THEIR WORK PLACE ARE DESIRED BY MANY OF OUR PERSONNEL, ESPECIALLY THOSE SERVING ON OUR OLDER CUTTERS. ONGOING ACQUISITIONS WILL REPLACE MANY OF THESE SHIPS. HOWEVER, HABITABILITY IMPROVEMENTS AT OUR SHORE FACILITIES LAG DUE TO THE NEED TO PUT PRIORITIES ON PRODUCTIVE, SAFE, AND HABITABLE SHIPS, BOATS, AND AIRCRAFT.

PROMOTION OPPORTUNITY

THE ABILITY TO ADVANCE WITHIN THE COAST GUARD IS A MAJOR CONCERN OF EVERY ENLISTED MEMBER. EVERY MEMBER RECOGNIZES THE INCREASED PAY, ALLOWANCES, AND RESPONSIBILITY THAT ACCOMPANY A PROMOTION. HOWEVER, MANY ARE CONCERNED THAT PROMOTION OPPORTUNITIES WILL DECREASE IN THE FUTURE.

PROMOTION IN THE COAST GUARD OCCURS ONLY WHEN THERE IS A VACANCY IN OUR SYSTEM. HOWEVER, DURING THE LAST FOUR YEARS, OUR PERSONNEL STRENGTH HAS DECLINED SOMEWHAT. SINCE OUR PERSONNEL SYSTEM REQUIRES TIME TO ALIGN ONBOARD STRENGTH WITH THE AUTHORIZED BILLET STRUCTURE, MANY INDIVIDUALS FEEL ADVANCEMENT OPPORTUNITY WILL BE GREATLY DECREASED IN THE FUTURE... PARTICULARLY IF THERE IS ANY SIGNIFICANT SHRINKAGE OF OUR TOTAL FORCE STRUCTURE.

CONCLUSION

THE ISSUES I HAVE MENTIONED TODAY REPRESENT THE MOST SIGNIFICANT NEEDS AND CONCERNS EXPRESSED TO ME BY OUR ENLISTED PERSONNEL. HOWEVER, OUR MEMBERS HAVE ALSO EXPRESSED APPRECIATION FOR LEGISLATION WHICH HAS IMPROVED PAY AND ALLOWANCES, PROVIDED FUNDING FOR HABITABILITY UPGRADES AT OLDER UNITS, AND IMPROVED THE EQUIPMENT USED IN THE PERFORMANCE OF THEIR JOBS. HOWEVER, WE MUST ALSO BE ABLE TO CONTINUE TO RECRUIT AND RETAIN THE DEDICATED AND TALENTED PEOPLE NECESSARY TO KEEP THIS NEW GEAR RUNNING AND IN TOP SHAPE. WITHOUT THEM, ALL THE EQUIPMENT IN THE WORLD MEANS NOTHING.

OUR MEN AND WOMEN ARE VERY AWARE OF THE NEED TO REDUCE OUR NATIONAL DEFICIT. REGARDLESS OF THE OUTCOME OF THIS OR ANY OTHER BUDGET, THEY WILL BE THERE DOING THE BEST THEY CAN WITH WHAT THEY HAVE. THEY ARE "SEMPER PARATUS"... ALWAYS READY TO SAVE LIVES, ENFORCE OUR MARITIME LAWS AND DEFEND OUR COUNTRY. WE ARE, INDEED, A MULTI-MISSION OUTFIT WITH MULTI-MISSION PEOPLE. WE DO OUR JOBS WELL, AND THUS IT LOOKS EASY. HOWEVER, MANY YEARS OF HARD TRAINING AND SACRIFICE GO INTO THE MAKING OF A COAST GUARD PERSON.

YOU CANNOT BUY THE DEDICATION I HAVE SEEN OVER THE YEARS. THERE IS NO PRICE TAG FOR LAYING YOUR LIFE ON THE LINE, AND GOD FORBID THAT THERE SHOULD EVER BE A PRICE TAG ESTABLISHED. DEDICATION TO THE COAST GUARD IS A FRAME OF MIND... A FRAME OF MIND THAT IS QUANTIFIED BY LIVES SAVED, LAW BREAKERS ARRESTED, AND THE 30 PLUS BATTLE STREAMERS THAT FLY PROUDLY FROM OUR COAST GUARD FLAG.

THANKS TO THE SUPPORT THIS ADMINISTRATION AND THE CONGRESS HAVE GIVEN THE ARMED FORCES OF THIS COUNTRY, THERE IS AGAIN, THAT LITTLE EXTRA SPRING IN THE STEP OF THE MEN AND WOMEN WEARING OUR NATION'S MILITARY UNIFORMS. ONCE AGAIN THEY HAVE A LOOK OF PRIDE IN THEIR EYES. THEY KNOW THEY HAVE A PROUD HERITAGE, DESERVING OF THEIR BEST EFFORTS TO KEEP IT SO. I AM ASKING YOU TO CONTINUE TO TAKE CARE OF THEM... THEY DESERVE IT.

YOUR CONCERN AND SUPPORT WILL GUARANTEE WE WILL CONTINUE TO ATTRACT AND RETAIN THE VERY BEST.

MR. CHAIRMAN, THIS CONCLUDES MY STATEMENT. I WILL BE HAPPY TO RESPOND TO ANY QUESTIONS THE COMMITTEE MAY HAVE.

Mr. **Studds**. Thank you, sir.
Commodore Lagen.

STATEMENT OF COMMODORE CHRIS LAGEN, NATIONAL COMMODORE, U.S. COAST GUARD AUXILIARY

Commodore **Lagen**. Thank you.

Good morning, Mr. Chairman and members of the Subcommittee on Coast Guard and Navigation. I am Commodore Chris Lagen, national commodore of the Coast Guard Auxiliary.

In private life, I am in the real estate business in Chicago. I greatly appreciate this opportunity to appear before you on behalf of the Coast Guard Auxiliary, and all volunteer force dedicated to safe recreational boating. Around the Nation's waterfronts, the auxiliary is known as the boater's friend and often is described as the Coast Guard's most valuable asset in the promotion of safe recreational boating.

The auxiliary was chartered by the U.S. Congress in 1939. It is the only volunteer organization so designated to any Government branch. This dedicated volunteer organization of men and women has distinguished itself in times of both war and peace as a member of the Coast Guard family for 46 years.

Today, the Coast Guard Auxiliary is nearly 39,000 strong. They are a trained and ready corps of instructors in safe boating, courtesy marine vessel examiners, and search and rescue specialists.

Aside from their special talents, they collectively offer the Coast Guard search and rescue equipment worth several hundred million dollars. The auxiliary offers for use 8,172 boats, 168 aircraft, and 1,227 marine radio stations, all equipped to Coast Guard requirements for search and rescue.

The auxiliary is proud of its boating accident prevention efforts; namely, its publication education safe boating classes that start at the elementary level with water and kids coloring books and the young people's course. We offer boating safety education for every level of experience, novice to long-term boater.

The auxiliary's free courtesy marine examination program is an annual check of your boat's safety equipment and is a safe boating effort approved and recognized by marine law enforcement officers in all 50 States.

As much as we would like to say that our boating accident prevention efforts have solved all the problems, it is just not so. Every boater does not take advantage of our programs. Fortunately, the Coast Guard Auxiliary maintains a high level of professional skills in search and rescue and seamanship and offers their free volunteer services to the Coast Guard.

Auxiliarists are not in competition with free enterprise in rendering assistance to recreational boaters. Auxiliarists receive no pay and are only sometimes reimbursed for the actual fuel used. The auxiliary has long been considered the boater's friend, a position members enjoy.

As volunteers, all auxiliarists ask is that their service be utilized to the fullest potential. As recreational boaters and concerned citizens, they feel it is their mariner's obligation to assist fellow recreational boaters. In view of this, I feel that the auxiliary should be exempt from current Coast Guard policy regarding nonemergency assistance.

Now, if I may, I would like to speak to the main reason we are here today, to authorize Coast Guard expenditures for various budget categories for fiscal 1987 and 1988.

As a member of the Coast Guard Auxiliary, as a recreational boater who depends on the Coast Guard's life saving ability, and as a taxpayer, I feel that the Coast Guard as a life saving and law enforcement arm of the Government should be funded to the fullest possible extent. I know of no way to put a value on the saving of a life, nor do I know how we as Americans who value life so much can put a limit on what we are willing to spend to save a life.

As to the law enforcement duties of the Coast Guard with drugs being one of our most dangerous crimes, one that affects our youth and degrades all who come under their influence, and one suspected as a means to support terrorist activities, how can we in good conscience not support our No. 1 line of defense against maritime drug trafficking?

I sincerely urge you to support full funding of the U.S. Coast Guard.

I thank you for listening to me. I have submitted formal comments for the record, and if there are any questions, I will be most happy to answer them.

[A letter from Mr. Studds to Commodore Lagen and his prepared statement follow:]

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U.S. House of Representatives
Committee on
Merchant Marine and Fisheries
Room 1334, Longworth House Office Building
Washington, DC 20515

CHIEF COUNSEL
EDMUND B. WELCH

MINORITY STAFF DIRECTOR
GEORGE D. PENCE

January 28, 1986

Dear Mr. Lagen:

On behalf of the Subcommittee on Coast Guard and Navigation, I would like to invite you to participate in a hearing regarding Coast Guard Authorization legislation for fiscal years 1987 and 1988. The hearing will be conducted on Tuesday, February 25, in room 1334 Longworth H.O.B., beginning at 10:00 a.m..

The Subcommittee will be interested in any comments that you may have regarding Coast Guard budget and operations issues, and would welcome any suggestions for legislative or administrative change related to these concerns. The Coast Guard Authorization bill, itself, will be introduced at some point within the next two weeks, and I will forward a copy to you as soon as this occurs. Among other items, I expect this bill to --

-- authorize Coast Guard expenditures for various budget categories for the 1987 and 1988 fiscal years;

-- require that the operators of commercial vessels of any length that tow disabled vessels be licensed by the Coast Guard;

-- direct the full use of the Coast Guard Auxiliary to respond to calls for search and rescue assistance;

-- authorize the payment of interest on reimbursement claims submitted by the Coast Guard Auxiliary;

-- require the use of 1-2 percent of state boating safety funds to pay the federal costs of administering that program;

-- require that vessels constructed for use by the Coast Guard be built in U.S. shipyards;

-- exempt Coast Guard contracts of less than $25,000 from certain federal procurement regulations; and

-- make miscellaneous technical changes in Title 14 of the U.S. Code.

Mr. Chris G. Lagen
January 28, 1986
Page 2

In addition, the Subcommittee may consider including in the bill a provision to clarify Congressional intent with respect to the delegation of vessel inspection responsibilites to American classification societies.

If you are able to participate in the hearing, Subcommittee procedures require that you submit 75 copies of your written statement to the Subcommittee office by noon on Monday, February 24. Although your entire written statement will be included in the record of the hearing, your oral presentation must be limited to five minutes. If you prefer simply to submit a written statement, and not to present oral testimony, please submit that statement to the Subcommittee by close of business on Friday, February 28.

If you have any questions concerning the hearing, I suggest that you contact either Bill Woodward (202-226-3533) or K.C. Bell (202-226-3552) of the Subcommittee staff.

Sincerely,

Gerry E. Studds, Chairman
Subcommittee on Coast Guard
and Navigation
H2-543
Washington, D.C. 20515

Mr. Chris G. Lagen
National Commodore
U.S. Coast Guard Auxiliary
9130 South Oakley
Chicago, Illinois 60620

TESTIMONY OF
COMMODORE CHRIS LAGEN
NATIONAL COMMODORE
U. S. COAST GUARD AUXILIARY
BEFORE
U. S. CONGRESSIONAL SUB-COMMITTEE
COAST GUARD AND NAVIGATION
U. S. HOUSE OF REPRESENTATIVES
COMMITTEE ON
MERCHANT MARINE AND FISHERIES

FEBRUARY 25, 1986

-- "authorize Coast Guard expenditures for various budget categories for 1987 and 1988 fiscal years.

As a member of the Coast Guard Auxiliary, an all volunteer civilian component of the Coast Guard; as a recreational boater who depends on the Coast Guard's Life Saving Services, and as a tax payer; I feel that the United States Coast Guard as a "Life Saving and Law Enforcement" arm of government should be funded to the fullest possible extent. I know of no way to put a value on the saving of life, nor do I know how we, as Americans who value life so much, can put a limit on what we are willing to spend to save a life.

As to the Law Enforcement duties of the U. S. Coast Guard, with drugs being one of our most dangerous crimes, one that affects our youth and degrades all who come under its influence, as well as being a suspected means to support terrorism; how can we not support our number one line of defense against maritime drug traffickers.

I urge you to support full funding of the United States Coast Guard, as a volunteer member of the Coast Guard Auxiliary, as a recreational boater who depends on their life saving ability, and as a taxpayer who feels that Law Enforcement, all kinds, needs our fullest backing to protect our American way of life.

-- "require that the operators of commercial vessels of any length that tow disabled vessels be licensed by the Coast Guard;"

The Coast Guard Auxiliary requires that its members who volunteer their boats for Search and Rescue missions equip them to meet U. S. Coast Guard Life Saving Standards at their own expense. Furthermore, before they are issued orders to perform or participate in SAR missions they must be thoroughly trained. In fact, in 1984, the Coast Guard Auxiliary under the guidance of their parent organization instituted a "Boat Crew Qualification" program to ensure that all Auxiliarists would receive the same thorough SAR seamanship training. The BCM program is divided into three parts; crewmember, vessel operator and Coxswain (the highest rating equivalent to the Coxswain rating in the U. S. Coast Guard). The purpose of this training and demands upon the volunteers of the Auxiliary is to ensure that when they are sent to help a boater in trouble, they are both trained and equipped to assist and not be a further problem to an already dangerous situation. The Coast Guard Auxiliary is proud of their record in Search and Rescue missions. In 1985 they saved the lives of 428 recreational boaters, assisted 33,631 additional boaters and saved or assisted boating property valued at $192,809,000.

In view of the above, I do not feel that we can expect such personal interest and dedication from commercial tow boat operators. However, for the protection of the recreational boaters I feel that commercial tow boats should be inspected by the U. S. Coast Guard annually and their crews be tested, licensed and insured.

--"direct the full use of the Coast Guard Auxiliary to respond for Search and Rescue Assistance."

Members of the Coast Guard Auxiliary train long and hard to perfect their Safe Boating knowledge and skills. Today, the Auxiliary is performing 98% of the Coast Guard's "Safe Boating Educational Program" through its Public Education classes and Courtesy Marine Examination programs.

The Auxiliary offers the Coast Guard a trained and well equipped force of nearly 40,000 personnel, 8,172 boats, 168 aircraft, and 1,227 marine radio stations. Auxiliarists spend hundreds of hours perfecting their safe boating ability and have equipped their facilities to meet U. S. Coast Guard requirements for Search and Rescue missions.

To further insure that Auxiliarists are qualified for SAR work, they must pass a Boat Crew Qualifications test.

Auxiliarists are not in competition with private enterprise in rendering assistance to recreational boaters. They receive no pay and are sometimes reimbursed only for operating expenses. The Auxiliary has long been considered, "the boaters friend," a position they enjoy.

As volunteers, all the Auxiliary asks is that their services be utilized to the fullest potential. As recreational boaters, and concerned citizens they feel it is their obligation to assist fellow recreational boaters.

In view of the above, I feel that the Auxiliary should be exempt from current Coast Guard policy regarding non-emergency assistance.

-- "authorize the payment of interest on reimbursement claims submitted by the Coast Guard Auxiliary."

Members of the Coast Guard Auxiliary are sometimes reimbursed for actual expenditures of funds when under official orders of the U. S. Coast Guard. This includes fuel used, meals, and damages to facilities that may occur in the line of performing an assigned duty.

For the most, all except the damage claims, reimbursement is forthcoming within sixty days. Damage claims require thorough investigations and may take several months. It goes without saying that a damage claim can involve much money. I fully support interest in regards to damage claims not settled within a reasonable amount of time. The Auxiliarist is required to expend the repair bills up front and because they are under Coast Guard orders, their insurance does not cover the damage. A "reasonable amount of time" will vary with the extent of the claim and the nature of the damage.

-- "require the use of 1-2 per-cent of state boating safety funds to pay the federal cost of administering the state recreational boating safety program."

In some states the U. S. Coast Guard and Coast Guard Auxiliary offer valuable contributions to the Safe Boating Programs. If it is the national responsibility of the Coast Guard to supervise the "state recreational boating safety program," for all states, I feel that it is only fair that administrative costs come from the Aquatic Resources Trust Fund and not from the Operating Funds of the Coast Guard.

I would also like to see some of the Aquatic Resources Trust Fund be used to support the Coast Guard Auxiliary's Public Educational Safe Boating programs which are offered in all fifty states and all Territories.

-- "require that vessels constructed for use by the Coast Guard be built in U.S . shipyards;"

As an American and a U. S. taxpaying citizen, I certainly feel that U.S. dollars spent for material to be used by Americans units of government, BE SPENT IN THE UNITED STATES.

-- "exempt Coast Guard contracts of less than $25,000 from certain federal procurement regulations;"

I do not feel that as a member of the volunteer Coast Guard Auxiliary I should comment on internal fiscal matters of the U. S. Coast Guard. But, as a businessman, I know that allowing freedom of decision on smaller contracts usually saves money. "Red Tape" on small purchases usually requires long delays and disallows taking advantage of discounts or contracting for services at "off peak" periods at reduced prices.

--and "make miscellaneous technical changes in Title 14 of the U.S. Code."

No comment.

PROFILE - 1985
U.S. Coast Guard Auxiliary

Around the nation's waterfronts one often hears it said that the U.S. Coast Guard Auxiliary is the Coast Guard's most valuable asset in promoting safe pleasure boating.

Few skippers who have been helped out of distress on the water by Auxiliary crews or learned boat handling skill in an Auxiliary public boating course. . . or had their vessel's safety factors checked free by the Auxiliary volunteer examiners. . . will quarrel with that appraisal.

Since 1939 --when the U.S. Congress enacted a law establishing the Coast Guard Reserve, later to become the Auxiliary, --this dedicated, volunteer organization of some 39,000 men and women has distinguished itself in times of both war and peace as a member of the Coast Guard Family.

As the civilian component of the parent service, the Auxiliary is the only boating organization with such official origin and charter. Members wear uniforms much like the regular Coast Guard and Fly the "Blue Ensign" proudly on their vessels. The Auxiliary represents an excellent example of the American tradition of "volunteer effort" that had its origin in the Revolutionary War.

From its early days of active war-time sentry duty both afloat and shore, the Auxiliary's emphasis shifted over the years as the popularity of boating zoomed upward. The Coast Guard saw the urgent need for improving boating skills, efficiency and safety among the nation's private boat owners. And the Coast Guard Auxiliary has provided the answer.

It has mounted over the years a broad program of public boating education, courtesy marine examinations and operational activity, with results that Coast Guard executives say are out of all proportion to the number of Auxiliarists. According to the Commandant of the Coast Guard, Admiral James Gracey,". . .nationally, the Auxiliary is performing as much as 20% of all Search and Rescue missions and in some areas, as much as 50%."

Each year the Auxiliary's accomplishments attest to its major impact on safety afloat.

ENCLOSURE (1)

COAST GUARD AUXILIARY ACHIEVEMENTS

	CY-79	CY-80	CY-81	CY-82	CY-83	CY-84	CY-85
Membership (BQ/AX)	37,265	35,755	35,454	34,674	33,916	32,438	30,818
Persons Enrolled in Boating Courses	498,326	449,345	463,584	543,632	480,008	365,967	332,524
Instructors	14,037	12,823	12,634	12,035	12,874	13,137	13,065
CME's Given	270,311	279,584	307,192	300,780	296,920	249,912	284,044
Courtesy Examiners	11,547	11,341	11,367	10,561	10,144	10,637	10,578
Regatta Patrols	4,460	4,105	3,917	3,407	3,496	3,259	2,568
Safety Patrols	37,714	40,055	38,628	36,268	33,701	29,643	28,166
Lives Saved	1,054	1,614	1,401	1,122	926	589	428
Support Missions for Coast Guard (ADMIN & OPS)	39,592	45,688	34,522	31,256	27,907	30,952	30,562
Assists to the Public	17,676	19,290	19,288	17,825	16,356	12,708	11,711
Persons Assisted	52,689	57,871	56,297	53,590	52,342	35,887	33,631
Value of Property Saved/Assisted in millions of $				$288,553	$233,534	$185,784	$192,809
Vessel Facilities Inspected	12,596	12,799	12,496	12,308	11,497	10,676	9,596
Air Facilities Inspected	141	168	191	208	179	169	172
Radio Facilities Inspected	1,071	1,133	1,309	1,407	1,282	1240	1,226

The Auxiliary perhaps is best known for safe boating education programs on all ages presented in its own classrooms or in neighborhood schools. It also offers special youth courses presented in school classrooms for youths from kindergarten to college.

More than 5,000,000 pleasure boaters, Adults and young people have attended Coast Guard Auxiliary Safe Boating Courses since 1969. Currently the Auxiliary is training more novices in the principles and techniques of boating safety than any other organization in the world.

As a further contribution to safety on the water, Auxiliary Courtesy Marine Examiners have given safety checks to more than 3.8 million pleasure boats since 1969. Many boaters annually seek out the Auxiliary to have their vessels checked each Spring.

In their operational services for the Coast Guard, Auxiliarist volunteer their own facilities (boat or aircraft) and their time for search and rescue missions and safety patrols. They are called upon both night and day for help with emergencies on the water, and also for assistance in time of natural disasters, floods, storms and other community crises.

Faced with today's dramatic increases in boating as a pastime, America's number one family participating sport, the Coast Guard looks to the Auxiliary to keep pace with a stepped-up educational and courtesy exam program. With 66-million (Boating Industry Mag.) people now engaged in recreational boating, the scope of the boating safety problem comes clear.

In their efforts to attract more novice skippers to their boating classes, Auxiliarists know from experience that they reach only a token number. It is a sobering fact that only 20% of boat people on the nation's waterways have ever taken the time to acquire even basic boat-handling know-how.

Equally sobering is the fact that most mishaps on the water are caused by faulty boat handling at the hands of inexperienced skippers, with most fatalities due to capsizings, falls overboard and collisions. And in the past few years alcohol has been a major factor in boating fatalities and accidents.

In its message to the inexperienced, the Coast Guard Auxiliary stresses that a few hours in a boating class can help overcome lack of training in such basics of boating as navigational aids, navigation rules, distress signals, personal flotation devices, ignorance of the law, proper loading, fueling precautions and so on.

Among the Auxiliary's other support programs for the parent Coast Guard is assistance in the procurement of qualified officers and enlisted personnel for the regular service.

The Auxiliary is also active in waterfront surveys that help provide data for nautical chart updating and revision carried out by the National Oceanic and Atmospheric Administration's National Ocean Survey (NOS).

Among its many signal accomplishments, the Coast Guard Auxiliary was the founder of National Safe Boating Week, today coordinated by the National Safe Boating Council. This week, the first full week in June each year, is proclaimed by the President of the United States and is authorized by the Congress. Auxiliarists in Flotillas in communities across the nation attempt through demonstration booths, lectures, public appearances and through the news media to bring attention to the need for "Boating Safety" on America's waterways.

Membership in the Auxiliary is open to all citizens to the United States and its territories and possessions, 17 years and older, who either own a facility or have a special talent or skill or experience useful in the boating safety field. The Auxiliary welcomes new members with an active interest in boating and a desire to share knowledge with their fellow boaters.

AN AUXILIARIST-----

WHAT IS A VOLUNTEER WORTH?

The value of a volunteer varies with the degree of acceptance or need of the effort put forth by the volunteer.

If the 428 recreational boaters whose lives were saved last year by volunteers had to put a price on the services received, that value would know no limits. If the Captains of the 11,711 recreational boats who received assistance from volunteers in 1985 were asked to evaluate the need of the volunteers it would be very high. When you are in trouble and another is willing to risk his/her life or boat to assist you, one is very appreciative.

If you are a tax payer and volunteers give you approximately 10-million dollars in free service annually, you would be most appreciative.

All of the above voluntary services were performed by members of a single organization, the United States Coast Guard Auxiliary, the civilian all volunteer component of the U. S. Coast Guard.

ENCLOSURE (2)

The Coast Guard Auxiliary was chartered by Congress in June 1939 and is the only boating organization so honored. It will soon be celebrating fifty years of dedicated service.

The need for such an organization was recognized in the 1930s by the U. S. Coast Guard, which is charged with the responsibility of maintaining recreational boating safety standards. Most calls for assistance from boaters resulted from a lack of basic seamanship skills or, equally serious, ignorance of the law. Positive action was needed. In 1939 the concept of today's Coast Guard Auxiliary was conceived.

It was apparent that heavier fines and increased search and rescue facilities were not the answer. What was needed was a new approach. A cadre of experienced boaters willing to share their knowledge and skills with their fellow recreational boaters.

From its conception the Coast Guard Auxiliary has operated under four cornerstones: Public Education, Vessel Examination, Operations and Fellowship.

Under its Public Education cornerstone, volunteer members of the Coast Guard Auxiliary teach Safe Boating Courses in most waterfront communities and many inland areas of America. The only cost to the student is for a text and Work book. The lessons cover all aspects of safe boating for both power and sail boaters. There are youth courses starting in the elementary grades with coloring book lessons, lessons for the everyday recreational boater and advanced classes for the serious sailor.

In 1985 volunteer members of the Coast Guard Auxiliary reached 332,524 students. These volunteer teachers donated 82,371 hours of instructor time and 308,891 assistant instructor hours. If the U. S. Government, Tax payers, had to pay these instructors at the average pay for teachers, $8.50 per hour for instructors and $6.75 per hour for assistance instructors, it would have cost the taxpayers $2,785,167.75 in 1985. Teacher's Unions indicate that while these figures are the average, the actual pay for specialized skilled instructors is two to three times the $8.50 per hour.

The Auxiliary's Courtesy Marine Examination program is offered to recreational boaters free of charge. Safety Equipment is checked to ensure it is in working order and available when needed. If the boat passes the safety check, it is awarded the Coast Guard Auxiliary "Seal of Safety" decal which is recognized by marine law enforcement agencies. The decal indicates that the boat, at the time of examination, met or exceeded all Federal and state requirements regarding safety equipment. If a boat fails, no report to a law enforcement agency is made, the captain is handed the examination form and urged to have the necessary repairs made or equipment obtained for his and his passengers safety.

In 1985 members of the Auxiliary safety checked 284,044 boats. Only 136,664 passed. There were approximately 9,670,000 boats registered in the United States that year and only about 2.8 percent of the boats were checked. There is no real way to place a value on this service; however, it took 10,578 volunteers untold hours at launch ramps and marinas on weekends and on holidays to inspect these boats.

A nation wide Public Affairs program is part of the public education program. Members of the Coast Guard Auxiliary made 37,650 public affairs appearances in 1985, visiting newspapers with prepared stories and photographs or to convince media representatives to print or broadcast Safe Boating stories. Auxiliarists also appear on television shows and on radio programs, make speeches before boating clubs, civic clubs or to anyone willing to listen. One of the Auxiliary's most successful appeals to the general public for safe boating is through the manning of Safe Boating Booths in shopping malls, at launch ramps and at boat shows. A total of 141,993 hours were expended during 1985 selling Safe Boating to the public. If these volunteer Auxiliarists were paid at only minimum salary of $3.35 per hour, a salary far below the cost for Public Relations Professionals, the price that would have been $475,676.55. A total of 88,814 safety booths were manned by two or more Auxiliarists in 1985. Few Public Affairs missions are performed alone. Assistants perform an additional 70,997 hours valued at $237,838 at minimum scale.

These three programs, public education, vessel examination and public affairs performed by volunteer members of the Coast Guard Auxiliary, constitute nearly all of the United States Coast Guard's total Public Education efforts. U. S. Coast Guard Boating Safety Teams were disbanded in 1983 after budget cuts removed their funding.

Because so few recreational boaters choose to attend safe boating classes or to have their boats safety checked there is always a need for rescue. The U. S. Coast Guard is charged with this life saving mission. However, because of the ever increasing number of boaters and boats, it is a nearly impossible task to offer assistance to all who are in distress. It is here that the volunteers of the Coast Guard Auxiliary once again serve their fellow recreational boaters. They offer the Coast Guard nearly an additional 10,000 search vehicles, both boats and aircraft, plus 1,200 marine radio stations.

In the last year that statistics are available, 1985, the Auxiliary saved, from life threating situations, 428 recreational boaters and assisted 11,711 additional boats and their crews who found themselves in trouble mostly from a general lack of boating skills and knowledge of regulations, laws and navigation rules.

When Auxiliarists volunteer their boats to the U. S. Coast Guard they agreed to equip that vessel with extra safety equipment at their own expense. They also volunteer to man their craft, in uniform, which they also must buy themselves and serve free of charge. The U. S. Coast Guard does reimburse Auxiliarists for the cost of gas and oil used and subsistence of less than $5.00 a day for three meals. It is estimated that it costs an average of $6.16 per hour to have an Auxiliary boat on patrol. The U. S. Coast Guard will also cover any damage to the Auxiliary boat if it is incurred in the line of duty.

In 1985 the Auxiliary performed 28,166 Safety Patrols under orders, and 25,289 support missions (in direct support of the Coast Guard) for a total of 382,436 hours on the water or at USCG stations. The average time per Auxiliary unit on patrol was 6.91 hours with each unit crewed by a captain and 1.75 crewmen. If paid at the minimum wage of $3.35 per hour the cost to the tax payer would have been $1,961,904 for a total of 585,643 captain and crew hours.

One of the types of patrols conducted by the volunteers are chart up-dating missions whereby the Coast Guard Auxiliary checks the condition and position of navigational aids (buoys and daymarkers) for both the Coast Guard, which is charged with their placement and repairs, and for the National Oceanic and Atmospheric Administration, (NOAA) which is charged with producing and up-dating charts, the maps of the waterways.

Rear Admiral Wesley V. Hull, NOAA-NOS, Director, Atlantic Marine Center, stated that the volunteer services in chart up-dating provided by the Coast Guard Auxiliary saves tax payers more than three million dollars each year.

For commercial and recreational boaters, the reporting and checking of aids to navigation ensures their safe passage. It further saves the Coast Guard Aids to Navigation teams from spending all their time on the water checking the condition of the buoys and day markers and allows them time for preventive maintenance of these life saving "road markers."

The men and women of the Coast Guard Auxiliary do not limit their voluntary services to promoting safe boating on a one-to-one basis. They also participate in the overall safe boating program of their parent organization, the U. S. Coast Guard.

Paperwork is a big part of any governmental operation. It has been known to take more hours than the actual mission. The Coast Guard is no different than any other government unit. It too, has it's share of paperwork.

Members of the Auxiliary lend their talents here too, particularly retired members. In 1985 Auxiliarists donated 27,958 hours of administrative support work. Everything form clerk typists, to phone receptionists, to computer programmers and many more skills are offered. If paid at the minimum scale, far below their skill level, this donated service would have cost the tax payers $93,659.30.

Auxiliarists also help to recruit young men and women for the regular Coast Guard by assisting recruiters, and through the Auxiliary's Academy Introduction Mission program recruit outstanding high school students for the Coast Guard Academy. In 1985 6,874 hours were spent assisting the Coast Guard to attract new personnel. At the minimum scale of $3.35 per hour this was $23,028.

One just does not join the Coast Guard Auxiliary and start to perform these highly skilled jobs of teaching safe boating, safety checking recreational boats, performing search and rescue missions, working in Coast Guard offices and recruiting both enlisted and future officers for the Coast Guard. Far from it. First the new member must be basically qualified, which normally takes several days and nights of training. The "BQ" Auxiliarist must understand both the Coast Guard and the Auxiliary missions, their history and administration. New Auxiliarists must also demonstrate their knowledge of seamanship and safe boating skills which is taught to anyone interested free of charge.

The Coast Guard Auxiliary is some 39,000 members strong from every walk of life and from every part of the United States and its territories. From Alaska to Puerto Rico, from Maine to Guam and everywhere in between. There is no discrimination of any sort, a skilled boater is a skilled boater, one thing that ties all 39,000 members together. The administrative job of keeping an organization this size operating is tremendous. Most of it is performed by the volunteers themselves. Their parent organization, the U. S. Coast Guard, assigns a Director of Auxiliary with a staff to each Coast Guard District to help in administration and training.

The training of Auxiliarists for the most part is performed by the volunteers themselves with guidance from the Coast Guard. In 1985, 184,120 hours were expended on administrative duties and 64,144 hours on training their own. To put a value on this donated time would be hard, but for showing a cost saving figure to tax payers, it would have cost, at the minimum scale of $3.35, $831,684,00.

This dedication to serving does not stop here. Each Auxiliarist belongs to a flotilla. Flotillas are assigned to a Division in a given geographic area for administrative purposes and Divisions are assigned to Districts. Auxiliarists attend a flotilla meeting once or twice a month, a division meeting usually once a quarter, a District meeting twice a year, and Area National Conference once a year and a National Conference once a year, all at their own expense and time. AUXILIARISTS NOT ONLY VOLUNTEER THEIR TIME AND BOATING SKILLS, THEY PAY TO DO SO, AND PAY HAPPILY.

HISTORY OF THE U. S. COAST GUARD AUXILIARY

The United States Coast Guard Auxiliary is an all-volunteer organization created by an Act of Congress on June 23, 1939 as the Coast Guard Reserve, a non-military, volunteer affiliate of the Coast Guard. The Auxiliary has been described as the civilian arm of the Coast Guard and, as such, plays a substantial role in the National Safe Boating Program. While the Auxiliary assists in the saving of lives and property of pleasure boaters, its primary purpose is the prevention of boating accidents.

The Coast Guard, in 1939, reviewed its responsibility of maintaining pleasure craft safety standards and recognized the need for positive action. Most calls for assistance resulted either from a lack of basic seamanship or, equally serious, ignorance of the law.

The Coast Guard felt that a new approach was needed to the problems of water safety. It was apparent that heavier fines and increased search and rescue facilities were not the answers.

It was, therefore, to meet these needs and to foster this ability that the U. S. Coast Guard Reserve (Auxiliary) was born in 1939. With World War II underway in Europe and with our national security being threatened, the Coast Guard was called upon for more and more military defense duties. Neutrality patrols, harbor surveillance and port security watches took on new meaning. The need for a full military

Coast Guard Reserve to augment our regular forces became mandatory. Thus, on February 19, 1941 Congress chartered the Coast Guard Auxiliary. A vital provision of the Bill enabled the Coast Guard to enroll Auxiliarists in the Reserve as "Temporary Reserves."

Pleasure boaters, as members of the Auxiliary, now had an unprecedented opportunity to serve their country, as the Coast Guard called for men and motorboats to perform various patrol duties. The response was gratifying, as the functions, activities, and responsibilities grew, the new Auxiliary grew to meet the challenges.

Training in first aid, seamanship, gunnery, law enforcement, signalling, night maneuvers, and navigation followed as the Coast Guard Auxiliary became a vital part of our national defense effort.

The war time accomplishments of the Coast Guard Auxiliary are legend. Not only did they perform boarding duties and harbor patrols, they also rescued hundreds of seamen from torpedoed ships, provided harbor pilot service, set up and maintained hospital ships, sold war bonds, and patrolled offshore for U-boats. The Auxiliary's service during the war years was called "indispensable."

When World War II ended, there were over 24,000 Auxiliarists on the rolls. The need for patrols and sentry duty no longer existed. The time came in 1946 to face the question. "Should the organization, the United States Coast Guard Auxiliary, continue?"

The need to continue was vigorously affirmed by the parent organization, the United States Coast Guard, and there emerged a streamlined, self-disciplined cadre with a full comprehension of its obligation to the service and to the pleasure boating public.

With full Coast Guard cooperation guaranteed, the Auxiliary began to devote its time to peaceful pursuits and recreational boating safety. This was only natural, for while the men and women of the Coast Guard Auxiliary come from all walks of life, they all have one thing in common, their love for, and participation in, boating activities.

The Auxiliary took as its base four cornerstones: vessel examinations, education, operations and fellowship. Now, as then, these are the blocks upon which the Auxiliary builds. Demanding professionalism from its members, Auxiliarists must study and pass a test on each of the first three cornerstones before he/she can participate. The fourth cornerstone is important, since it provides a vehicle for informal dialog among our members and other members of the "Coast Guard family."

Qualified Auxiliarists perform courtesy marine examinations on pleasure boats and some small commercial boats. They do so with the captain or owner's permission. The boat is checked to insure that it meets all federal and state requirements and has aboard those extra safety items the Auxiliary, through its long years of experience, has found necessary for safe operation of pleasure craft. If the vessel passes, a "seal of safety" decal is affixed to the vessel. Vessels with this "seal of safety" are usually not reexamined by local law enforcement agencies unless the boat is operated in a careless or unsafe manner, or other causes exist. New examination and awarding of the "seal of safety" is an annual event.

If the boat is found to be unsafe or not meet the federal or state requirements, the captain is informed and requested to have the necessary repairs made, or required equipment purchased for his safety and the safety of his passengers. This dialog becomes the basis for education of law and regulations to the owner. No report is made to any law enforcement agency.

Because of this approach and the fact that the Coast Guard Auxiliary has no law enforcement powers, Auxiliarists are looked upon as the pleasure boaters' friends, a position the Auxiliary enjoys.

The Auxiliary pays close attention to boats in the "Class A" category--boats under 16 feet in length--due to the high percentage of accidents in which these smaller vessels are involved. The "Class A" boats are usually the size bought by beginners; used by campers who operate in strange and often uncharted waters, far from help; and fishermen and hunters in remote areas, who claim they are not boaters, even though they enjoy their sport from their boats six to eight hours each day. The majority of all recreational boats are in this category.

The Auxiliary's role in Public Education is ever expanding and offers a wide array of boating courses to the general public. Each year thousands of people are enrolled in these courses.

The most comprehensive course offered by the Auxiliary is the 13-lesson "Boating Skills and Seamanship Course," providing instruction in basic boating and information and safety, aids to navigation, rules of the road, charts and compasses, boating laws, marine engines, sailing, marlinspike seamanship, marine radio-telephone, weather, maneuvering and safe boat operations.

A parallel 13-lesson course, "Sailing and Seamanship" covering terminology, handling, lines and knots, and emergency situations is available for sailing enthusiasts.

For those who cannot find time for the longer, more comprehensive courses, the Auxiliary offers short three-lesson courses in Safe Boating, which can be tailored to local needs.

The Auxiliary feels it is necessary to reach all who use the waterways of America and therefore offer safe boating lessons for youths starting in the elementary grades. To the youngest, the Auxiliary presents a "Water'N'Kids" lesson complete with a coloring book. For junior and senior high students there are the Youth Courses.

While the Coast Guard Auxiliary's primary purpose is the prevention of boating accidents through its public Education and Courtesy Marine Examination programs, it also provides trained personnel and especially well-equipped facilities (boats and aircraft) to assist the Coast Guard operational missions, notably search and rescue.

In 1985, the Coast Guard Auxiliary made available to the U. S Coast Guard 8,172 privately-owned boats and 168 privately-owned aircraft, all especially equipped according to U. S. Coast Guard requirements at the owner's expense.

Besides privately-owned boats and aircraft, Auxiliary members with a deep-seated interest in radio make their services and equipment available to support Auxiliary operations and assist the Coast Guard Communications System, as required. Auxiliarists manned 1227 UHF Marine Radio Stations in 1985.

In time of emergency or natural disaster, the Auxiliary is a valuable augmentation force for the Coast Guard. In the past five years alone Auxiliarists in the performance of their volunteer duties saved the lives of 4,466 pleasure boaters, assisted 231,747 other boaters, and saved or assisted property valued at $1,162,169,000.

These services were performed at great savings to the Federal Government. It is estimated that the average hourly cost to operate an Auxiliary vessel to perform a Safety Patrol or a search and rescue mission is approximately $6.16 an hour, while the estimated average hourly cost to operate a Coast Guard Auxiliary Aircraft is approximately $18.00 an hour.

There is also one other advantage to an Auxiliarist operating on the inland waters and along the coast, his/her familiarity with the local waterways and proximity to problem area.

Sponsors of waterborne events such as sailboat regattas, speedboat races, raft races, etc., when performed on navigable waterways, are required to obtain a permit for the Coast Guard. If the event offers any possible interference with the free-flow of pleasure or commercial boat traffic, the Coast Guard is obligated to furnish patrol boats. Very few summer weekends go by without dozens of local regattas and the

Auxiliary is often called upon to patrol these marine events. To assign regular Coast Guard patrol boats could severely handicap the Coast Guard's search and rescue capability. This service by the Auxiliary also renders a tremendous cost saving factor.

These regatta patrols are performed on both navigable waterways under the jurisdiction of the Coast Guard and in cooperation with state agencies, on sole state waters when proper requests are made.

Auxiliarists operating under direct control of a Coast Guard unit on a given mission are issued one of two category of orders: non-reimbursable orders which may cover any damage to the facility incurred as a direct result performing the mission; and, reimbursable orders which may cover fuel used, ice, trailering cost, meals, and damage as a direct result of performing the mission. The Auxiliarists themselves receive no pay, expense for uniforms (which they are required to wear while performing their duties), or prorata cost for the wear on their facility. This is understood upon joining and is something Auxiliarists accept as part of their volunteering.

There is one other volunteer duty the Auxiliary performs that affects everyone who uses navigable waterways. CHART UP-DATING PATROLS. These are performed on a volunteer basis, under non-reimbursable orders.

Chart Up-dating patrols gather information on the navigable waterways to assist NOAA and NOS in correcting charts. It is a service that the NOAA and NOS directors have stated "could not be done without the volunteer help of the Auxiliary due to the cost ratio when applied to the tremendous amount of time, personnel and facilities required on an annual basis. "Chart up-dating patrols also assist the Coast Guard's Aids to Navigation Teams by informing them of missing buoys and markers and those in need of repair.

The Coast Guard Auxiliary is so structured that in regard to training for its members, the control lays entirely within the organization. Professional seamanship and all other skills needed to perform its duty are planned, created, distributed and taught from within the Auxiliary ranks. The Auxiliary is further supported by the United States Coast Guard which makes available its training facilities, including special training classes in advanced skills and use of the Coast Guard Institute.

When a pleasure boater joins the Coast Guard Auxiliary he/she is required to pass a Basic Qualification Test on basic boating ability, Coast Guard and Auxiliary history, and administrative matters including uniform etiquette. Complete training courses are presented to the new member by a qualified Auxiliary Instructor. The course material is written and prepared by Auxiliarists on the National level.

If the individual joining the Auxiliary has taken and successfully passed the Auxiliary's Boating Skills and Seamanship, 13 lesson course, it may be substituted for part of the boating ability test.

The individual joins a flotilla, the basic unit of the Auxiliary, where the grass roots work is accomplished. The BQ training and testing is presented by the flotilla. A continuing training program is carried on by flotillas and by the next structure of the Auxiliary, the Division; for all practical purposes an administrative unit. Divisions are part of a District, which has the same geographical boundaries as the regular Coast Guard District, and the Districts make up the National organization.

Training programs carried on by flotillas and divisions include, but are not limited to, a series of prepared mini-programs on all facets of boating and Auxiliary programs; a very advanced 7 course AUXOP program that can either be home studied or classroom presented. The AUXOP program is looked upon as the ultimate in auxiliary training. Textbooks and workbooks are by the Coast Guard. The AUXOP program covers administration, weather, patrols, search and rescue, communications, navigation, and seamanship.

While the work is performed at the flotilla level, it is on the national level that policy and creation of programs is conducted.

On the national staff there are departments for both public education and member training, that deal directly with furthering the boating education of Auxiliarists. The public education programs are as beneficial for Auxiliarists as they are for the general boating public.

The membership training department works closely with the Training Section at Coast Guard headquarters to develop training programs, material, textbooks and examinations for members of the Auxiliary to assure adequate skill levels are maintained or acquired.

The final approval lays with the Commandant of the Coast Guard for all training programs for the Auxiliary this keeps the professionalism of the Auxiliary on par with its parent organization.

Supporting the public education and member training department are departments for all facets of Auxiliary performance, each lending support to the training program as part of their development of workable programs for the Auxiliary and the Auxiliarist.

Educational programs, both for internal and external use, are reviewed and continually brought up to date to meet both the needs and the changes brought on by advances in the boating industry.

Because of this reliance on ourselves for training, and because we are continually looking at ourselves, the Auxiliary's training program for its member is something of which we are very proud.

To meet todays increasing demands on the Coast Guard Auxiliary for search and rescue missions, bringing Auxiliary and regular Coast Guard personnel ever closer together, a Boat Crew Qualification Program is in place to qualify all members in small boat handling for search and rescue on an equal basis.

As presented here, not only does the Coast Guard Auxiliary offer a well trained membership to accomplish its assigned task, but has the capability, with the United States Coast Guard's support, to meet the needs of the future.

The Auxiliary is indeed the civilian arm of the Coast Guard and the thousands of volunteer men and women of this fine organization are a vital part of the Coast Guard's Safe Boating Program.

The Auxiliary's contribution to boating safety through its vessel examination program, public education classes and operational support of the Coast Guard is both needed and deeply appreciated by the Coast Guard and the general boating public.

The greatest asset of the Coast Guard Auxiliary is its membership who fully realize that the greatest demand will be for their TIME AND TALENT, followed closely by a financial investment tied directly to their involvement.

For the Coast Guard and the American tax paying public, it is an asset that the government cannot afford to lose.

Mr. STUDDS. Thank you, sir, very much. I apologize for mispronouncing your name. It is "Lagen." Is that correct?

Commodore LAGEN. Yes, sir; thank you.

Mr. STUDDS. Thank you.

Chief, let me start with you, if I may. I always feel better when I see the diagonal stripes there. I feel I am going to have some real answers, and that is not a reflection on the horizontal stripes behind you and that precede you.

Chief CONSTANTINE. That is quite all right, sir.

Mr. STUDDS. We have had a lot of horizontal stripes, including the highest of all, from the Coast Guard tell us, as you know, on several occasions that the budget situation is not good, especially with respect to operating expenses. What effect, from your perspective, has the confusion surrounding the budget as well as the reductions themselves had on the morale of Coast Guard enlisted personnel and, in particular, on decisions to reenlist?

Chief CONSTANTINE. Considering all the recent press regarding possible budget cutbacks, the morale of the enlisted force of the Coast Guard is surprisingly good, sir.

Mr. STUDDS. Is that because you confiscate their newspapers or what?

Chief CONSTANTINE. Sir, the Coast Guard enlisted force in today's Coast Guard reads a lot. I remember when I was a young sailor, I just cared about liberty and payday, sir. It is not that way now.

They are very concerned about their careers, sir. They have great pride in themselves, their Coast Guard, their units, and they hear people outside the Coast Guard talking about their jobs that really aren't totally informed, and it sort of irks them. There is a lot of uncertainty in that area, sir. But the morale is surprisingly good, considering all this, sir.

Mr. STUDDS. It seems obvious that when the Coast Guard has to save money, you and the people for whom you can speak, I think, most directly are the ones who in one way or another are asked to cut back. What effect have those reductions had on the quality of life of enlisted personnel and on your ability to do your job?

I can remember visiting or examining, really, the billeting situation of some of your people on 95-foot vessels which I would love to see a couple of folks from OMB spend a few days in under the best of circumstances.

Chief CONSTANTINE. Yes, sir.

Mr. STUDDS. What is happening now?

Chief CONSTANTINE. Well, the commandant said a long time ago that quality of life includes giving our people the best possible training tools and gear to get their jobs done. So, in that area of quality of life, I think we are doing OK.

We have other quality of life programs. I think most people associate quality of life programs with personal and family needs, if you will, sir. We have a family programs branch. We have career information specialists. We have drug and alcohol counselors and human relations people. They are all in place to help our commanding officers to help their people.

We would like to ensure that adequate funding is available to keep these programs in place. However, of course, being that we are strapped for funds already, any budget reductions would obviously have to come from operations as well as people programs, sir.

Mr. STUDDS. Have you seen evidence of that happening to this point?

Chief CONSTANTINE. I have seen our shoreside habitability upgrades being put aside because of these kinds of things, sir.

Mr. STUDDS. That is a horrible—I won't even suggest the acronym, but shoreside habitability upgrades has to do with where you live, right?

Chief CONSTANTINE. Yes, sir. Definitely, sir.

Mr. STUDDS. Can you just in human terms, without those kinds of words—what is it like to be on one of those small vessels? Just for people here who may not have visited one, describe the circumstances in which the personnel are carrying on at this point.

Chief CONSTANTINE. I would love to, sir. You visited the *Bibb*, is that correct, sir?

Mr. STUDDS. I visited the *Bibb* and a good many of the smaller vessels.

Chief CONSTANTINE. Yes, sir. Well, some of our smallest—let's take an 82-footer, for instance. That is a good one. You can learn five different ways to throw up on one of those right away. [Laughter.]

The living conditions aboard those small boats for our junior enlisted and our members are very cramped. You have about 2 feet between the racks, and you might be stacked three high up in the forward part of the vessel which is always known to ride the roughest, if you can stay in them.

Of course, it cuts into your social life if you are a young, single sailor to bring people down on the mess deck to have dinner and things like that. It is about the same as it was when I was a young sailor. However, our folks today are looking for just a little more than that.

The ship that you visited, Mr. Chairman, has been around an awful long time, as all of you know, and we have them stacked four high in some places. You know, if you are a seaman, your quality of life—it is very important to have a bunk light or maybe some curtains that you can close out the rest of the world for a few minutes off watch. Maybe you want a drawer that opens and shuts. These are the types of things that we are talking about, and, quite often, these types of things get put off because of our need to keep safe and productive ships on the line, sir.

Mr. STUDDS. Those are permanent quarters, not just duty quarters for those people, are they not? That is the way they live.

Chief CONSTANTINE. That is it, sir. And their mother is the chief, you know.

Mr. STUDDS. I understand.

Chief CONSTANTINE. Yes, sir.

Mr. STUDDS. There have been some suggestions, as you know, in recent years that one way to solve your problems is to transfer jobs like aids to navigation and marine safety to the private sector. How do you react to that kind of proposal?

Chief CONSTANTINE. Well, sir, the troops don't like it at all. I guess, specifically, our SAR missions are a good example. SAR is a very complex mission and all our Coast Guard units are involved.

Our people are proud professionals, sir, and they believe in what they do. These skills are continuously being honed to fine perfection through tough and demanding training.

So, they become very upset when they read or hear people outside the Coast Guard talk about turning their jobs over to the private sector. They have all chosen to be military professionals. They are concerned about the impact on their careers because of the loss of billets that would naturally follow on to turning any job of the Coast Guard over to the private sector, sir, including AID-NAV.

Mr. Studds. Let me ask you about the idea that crops up here virtually every year in recent times largely, I guess, as a result of the deficit problem or the budget problem. That is the proposal that we transfer the Coast Guard to the Department of Defense and thereby resolve all of your budget problems automatically. [Laughter.]

I would like your reaction to that as a general proposition. In the course of it, you could reflect on what differences you see between the kinds of motivations that might bring a young man or a young woman to volunteer for the Coast Guard on the one hand and for the other military services on the other.

Chief Constantine. I think we would disappear in the Department of Defense, sir. If somebody burped who had an eraser, they just might erase the Coast Guard. I think we are in the right place. Our job is transportation oriented, sir.

We are not having problems recruiting people right now, sir. In fact, we are doing very good. Well, we are experiencing a little bit of a problem because of possible cutbacks, but the retention rate in the Coast Guard of the type of quality of people that we want is very high, sir, and we want to make sure it stays that way.

As far as DOD, I think most of the people would tell you they like where they are, sir.

Mr. Studds. Are you a man of just as few words on board a vessel?

Chief Constantine. I try to be, sir.

Mr. Studds. I believe that.

Let me ask you just one final question. I apologize to members. I think we are the first committee to bring somebody of your stature and role here as opposed to the other kinds of stripes, and I think it is sort of fun. We ought to take advantage of it.

Assuming that OMB hasn't cleared your statement, since you really don't have a long statement and you don't really care as much about OMB as some others do, I suppose—and besides they wouldn't understand much of what you said anyway—here you are before a committee of the Congress and you care deeply about an institution to which you have obviously given a good part of your life, looking at that left sleeve. Is there something you would really like to say?

Chief Constantine. Well, I would like to say that the Coast Guard people believe in what they do, sir. I don't think they stay in the Coast Guard for all of the bene's that people seem to think is the reason people stick around the military services or the Armed Forces, for all the hidden benefits we have. That is a bunch of baloney, sir.

Coast Guard people stay in because of job satisfaction. I am totally convinced of that. Of course, the family needs and things like that are important. Of course, they have to be able to afford adequate housing and things like that. This goes without saying. That is for any job in the United States.

But, you know, they save lives. It is a pretty good feeling to look into the eyes of somebody left on the beach whose loved one you just brought back.

They bust dopers. It is a happy day in the life of a Coast Guard man or woman to put the cuffs on a doper and drag them across a hot steel deck. That is great, you know. Who knows? Maybe we have just saved some daughter or son from the clutches of those merchants of misery. We don't know.

They fix aids to navigation. Because of their hard work, they kept that ship out of harm's way, and maybe those goods got through to that community waiting for them.

They bust ice. Because of their efforts, some community is a little warmer tonight up that river.

They clean up hazardous waste material and oil spills. Maybe our future generations can enjoy a cleaner environment.

And, of course, they defend our country. The 30-plus battle streamers that fly from a Coast Guard flag are hard to look at without getting a few goose bumps.

That is not all they do, sir, but those are the main things they do, and I can tell you they feel it is very important, because it is. That is what I would like to say, sir.

Mr. STUDDS. Thank you. I know that many words all at once was painful, but you are very eloquent. I appreciate it.

Chief CONSTANTINE. Thank you, sir.

Mr. STUDDS. Commodore Lagen, I have more than used up my time, so before I go to your questions, I will share the time with others.

Mr. Hughes?

Mr. HUGHES. Thank you, Mr. Chairman.

Thank you for your testimony, Chief and Commodore Lagen. I particularly appreciated your description of what the Coast Guard is all about because I can tell you I have never heard it more eloquently described.

Chief CONSTANTINE. Thank you, sir.

Mr. HUGHES. And you are to be congratulated for outstanding service. I quite agree with you, it is not a matter of where the Coast Guard is located. I, too, would be afraid that if we moved it to the Department of Defense out of utter frustration that you just might be lost in the shuffle.

I have just a couple questions. First of all, Chief, how do you find the TACLETS are working on board the vessels?

Chief CONSTANTINE. I am sorry, sir?

Mr. HUGHES. The TACLETS.

Chief CONSTANTINE. Oh, the TACLETS.

Mr. HUGHES. How do you find they are working on board Navy vessels?

Chief CONSTANTINE. The reports I have on the Taclets is that they are working very well. The only real problems that I have heard is that sometimes Navy commitments will supersede some things they have to do. That is the only problem I have heard so far, sir. But, so far, the tactical law enforcement teams aboard the Navy ships—the Navy and the Coast Guard are making one heck of a fine team out there, especially in the Caribbean, busting those dopers. They are getting real nervous, sir.

Mr. **Hughes**. You indicated that the morale of the Coast Guard is still up in spite of what your people read every day about Coast Guard cuts. It seems that every year the Coast Guard is targeted for cuts. It is puzzling, because, obviously, national defense and law enforcement are two of the main priorities of this administration, and it is just a mystery as to why the Coast Guard each and every year has to fight for its life. But the morale of the Coast Guard still remains relatively high?

Chief **Constantine**. Yes, sir, because we have learned to live with this thing. It is a thing every year, sir. So, here we go again, sir. This one is scarier than the others.

Mr. **Hughes**. Remarkable.

Commodore Lagen, the auxiliary does an outstanding job. We have a very fine auxiliary in my part of the country, and I have no doubt that is true throughout the country.

You also have some excellent volunteer rescue squads who are called into service where we don't have, often, an adequate auxiliary to perform auxiliary services. Are you familiar with some of the work performed also by some of the volunteer rescue squads at sea?

Commodore **Lagen**. No, sir, I am not. I have heard of some.

Mr. **Hughes**. How about you, Chief? Are you aware of some of the work performed by rescue squads? I am thinking of my own area, for instance, in the southern part of New Jersey in the Delaware River area right as you go across the bridge, Cocaine Alley into New Jersey. They have some very fine rescue squads on Delaware Bay which have sprung up and filled a void because it takes so long for Gloucester to get into that part of the river and bay, and it takes too long for Cape May to get over there to perform rescues.

Are you familiar with that?

Chief **Constantine**. I am familiar with a couple, sir. I believe the Royal National Lifeboat Institute is over there and does a good job. They are strictly volunteers, but they have a different situation.

We have something up in Maine going on. I can't remember their name, but we had a problem getting to an area, and they formed up a volunteer group of people which is good to supplement the Coast Guard, not replace it. And it might be noted that we trained them for search and rescue procedures. Those are around the country more and more, but certainly couldn't replace the Coast Guard, but it certainly supplements.

Mr. **Hughes**. That is all it does. It supplements, and of course they are called in when the Coast Guard can't get to situations fast enough.

One of the complaints I have heard from the volunteer rescue squads is they receive no reimbursement for fuel. They depend upon volunteer services. They depend upon contributions from the local populations, and they find that they are running out of money.

Do you see any reason why we would differentiate between providing reimbursement, for instance, for that service as opposed to, let's say, the auxiliary?

Chief CONSTANTINE. Sir, I am not qualified to answer that question, but I could provide it for the record. I am just not qualified.

Mr. HUGHES. How about you, Commodore?

Commodore LAGEN. If it performs a mission of safe boating, I see no reason why not. Fuel is a problem with reimbursement, and in some instances, the auxiliary has its problems also. But if it is possible saving a life, I see no reason why not.

Mr. HUGHES. That is all I have, Mr. Chairman. Thank you.

Mr. STUDDS. The gentleman from Washington.

Mr. MILLER. Thank you, Mr. Chairman.

Chief, I appreciate your coming and giving us your perspective on enlisted personnel and the Coast Guard.

In your statement, you talk about getting appropriate hardware to do the job. Could you be a little more specific? Is there hardware that you need that you are not getting to do the job and, if so, what?

Chief CONSTANTINE. I guess in my statement, sir, new hardware is coming on the line, new ships, boats, aircraft, helicopters, things like that. However, we are still sailing some pretty old vessels, and we would just like to see that we retain this push that we have to replace some of our older vessels, sir. That was where I was coming from on that.

There are other things, too, not only ships, boats, and aircraft, but the proper tools and things. We are doing pretty well in this area, sir. I see a personnel concern, though, very soon, if we keep cutting people out of the Coast Guard.

Mr. MILLER. Chief, Commodore, if we could move to that subject I referred to at the beginning, the difficult subject of user fees, I have a two-part question. Both of your are welcome to comment on it.

One part is, what do you see as the pros and cons of user fees and, two, if the administration were willing to place funds generated by user fees into a special trust fund to offset the effects of Gramm-Rudman, where would you suggest user fees be assessed? Do you have any suggestions in that regard and as to what levels?

Chief CONSTANTINE. I would like to avoid that one. [Laughter.]

Mr. MILLER. Chief, you are just like members of our committee.

Chief CONSTANTINE. I think the Commandant has made his position clear on that, sir, and the Commandant of the Coast Guard says the will of the Congress will prevail. [Laughter.]

Commodore LAGEN. Well said, Chief.

Mr. MILLER. Commodore, is that your position?

Commodore LAGEN. I am going to have to take the same position as I am part of the Coast Guard family, and the Commandant is my boss.

Mr. STUDDS. And you know who his boss is.

The gentlelady from Maryland who so graciously began the hearings.

Ms. MIKULSKI. I have just two points. First, a word of thanks to both of you.

However, Commodore Lagen, I would like to particularly thank the Coast Guard Auxiliary for the extraordinary job that it performs in the United States and particularly the role that the auxiliary has played on the Chesapeake Bay in the area of rescue activity. You have to know that I benefited from an auxiliary rescue mission.

We think of it as these dramatic rescue missions with flotillas out there rescuing people. But I was sailing on the Chesapeake Bay with a gentleman friend, and we were paying more attention to each other than to our navigational charts, and we ran aground at a place in the bay called Booby Point, well known by those of us who are not as precise in following our charts.

There we were out there aground, and despite all of our own efforts, we would not get off. Our lives were not endangered. It was a beautiful August day, and I am sure we could have held out as long as the refreshments, but out of the blue came Mathilda and Joe Covall, members of the Coast Guard Auxiliary. And within a matter of moments, we were off the ground and on our way.

I mention that story because there are many boaters on the Bay who do not need the full professional weight of the U.S. Coast Guard to help us out of a difficult situation. I would like to thank you, because we know up and down the Bay we are safer and more secure because of your work.

Commodore Lagen. Thank you for your kind words.

Ms. Mikulski. I have a question, though. They asked about the fuel reimbursement. Is the Coast Guard Auxiliary able to take a tax deduction for the fuel that it utilizes in auxiliary work in the way, say, drivers are able to take it for voluntary activities in, say, delivering Meals on Wheels, another very important social function done by volunteers?

Commodore Lagen. If we are under orders and we are being reimbursed by the Coast Guard, I don't imagine we can take it as a tax deduction. But as a private citizen doing a good samaritan service, I am not sure.

Ms. Mikulski. If you are under orders for the task at hand, you say you can take it as a deduction?

Commodore Lagen. No; we are getting reimbursed by the Coast Guard. They are paying our fuel bill for that particular mission.

Ms. Mikulski. I see.

Commodore Lagen. I am not a tax expert, but I——

Ms. Mikulski. Neither are we. I see. That helps clarify my question.

Second, a point to you, Master Chief Constantine, like all others, I thank you for your eloquent statement. I particular like the way you talked about the dopers. Anybody who represents Baltimore City and sees what is going on in the playgrounds is glad to have you out there as our fourth arm of defense.

But, you know, while you are busy saving our lives, I feel we have a special obligation to you. I sit on the Health Subcommittee in Congress and am very concerned about health care for the American people. In your testimony, you commented about health care, both for Coast Guard members and for their families and dependents.

Could you comment or elaborate on your testimony about the quality and availability of health care available to you and to your family members?

Chief Constantine. Thank you, ma'am. Thank you for the kind words, and by having me here today, you have sent a great signal to the enlisted troops that you do care.

Yes, I would like to comment. As you know, many of our people are stationed in remote areas in the United States, even. For instance, Grand Isle, LA, is not the end of the world, but you can see it from there. I can guarantee that. [Laughter.]

We have a lot of places that are similar to Grand Isle, LA, and there is no military hospital or facilities in place. So, if a young sailor has a medical problem, medical care becomes his or her biggest concern. Therefore, the CHAMPUS Program is very big in the eyes of the enlisted men and women of the Coast Guard because they are out on the economy, and there are a couple of changes that we would like to see happen there.

When we can get to medical care, generally speaking—I know there are horror stories; we hear them now and again—but generally speaking, quality is not the problem. It is getting it, just finding a place to get it.

Ms. Mikulski. So, availability is a problem.

Chief Constantine. Availability, ma'am, is a big one. Yes, ma'am.

Ms. Mikulski. Do you feel that the CHAMPUS Program is adequate?

Chief Constantine. No, ma'am.

Ms. Mikulski. What limitations do you see?

Chief Constantine. Well, we have to ask for upfront money. There is a lot of medical professionals out there who will not accept or participate in CHAMPUS. That means for a young sailor right out of boot camp he says, sure, I will be glad to take your spouse in here to deliver your baby, but you have to give me $1,000 upfront money, and we will do it for you. Then, you fill out the CHAMPUS Program and pray to somebody that that form is going to get back to you and you are going to get reimbursed, but you only get reimbursed for 80 percent, ma'am.

Ms. Mikulski. So, what you do is your Coast Guard members have to pay out of pocket first and then submit complicated forms to the Coast Guard for reimbursement, after which they are reimbursed at 80 percent?

Chief Constantine. Ma'am, they don't submit—you see, if they submitted them to the Coast Guard, they would be handled properly. They are not submitted to the Coast Guard. They are submitted to CHAMPUS and——

Ms. Mikulski. To the military?

Chief Constantine. To the CHAMPUS in Denver, CO, or the local area, wherever the area is they have to submit them to, like Blue Cross or whoever is handling the claims. That is where they go. A lot of times, the forms are rather complicated sometimes, and it gets sent back, and it can be a nightmare. I know a case where it took a young sailor about 3 years to get reimbursed because of forms and the complexity of filling these things out.

Ms. Mikulski. And then after that you only get 80 percent back?

Chief **Constantine**. Of the authorized charges, ma'am, and all charges aren't authorized. So, some desirable changes, I think, are needed in the CHAMPUS Program, ma'am.

Ms. **Mikulski**. Thank you very much. I would like the committee to note that this is a particularly important area. We have seen what has happened with the Navy and their health care which is under some rather intense scrutiny. We want to be sure that health care is available to you for your own needs and certainly your family needs. If you are out there worried about your family's health, you are not going to have the kind of morale you need. You are going to be preoccupied with other problems.

Chief **Constantine**. Yes, ma'am.

Ms. **Mikulski**. We thank you for the insights that you have provided.

Mr. **Studds**. Chief, I am going to call on someone whom I think speaks your language. The gentleman on my left has a number of titles. He is ranking member of the Interior Committee, and he is the distinguished former ranking member of this subcommittee, but his highest title is that he is a captain of a river boat in Alaska. I have a feeling that you will have no difficulty communicating whatsoever.

Mr. Young.

Mr. **Young**. Thank you, Mr. Chairman. You put me in an awkward position of——

Mr. **Studds**. I didn't do that; your constituents did. [Laughter.]

Mr. **Young**. Anyway, Master Chief, I can tell you one thing. We may speak somewhat similar language, but the most frightened I have ever been is at sea. My navigation and my work with water has been on moving rivers, and there is a lot of difference between moving water and still water. Consequently, I prefer the moving water.

Are you aware of the housing in Kodiak? Have you had any reports on that? Have you heard any negative things, or is that coming along pretty well?

Chief **Constantine**. I spent 7 years in the State of Alaska, sir, and my home happens to be Alaska, so I do know it pretty well.

Mr. **Young**. I didn't know that, so good, I have a constituent. But have you kept up with the Kodiak housing program?

Chief **Constantine**. I was through there last summer, and we have our people living in the World War II Navy stuff that we took over. They look like clapboard housing. I may be out of line here, but if we have any substandard housing in the Coast Guard, that is it. But we are a little bit at a time coming in with some new stuff. Our people are being very patient, but as far as good quality, it is—in fact, you can't even get all your furniture in some of those places, sir.

Mr. **Young**. You know, there has been some money appropriated for upgrading that installation. It was an old installation, a Navy installation, taken over by the Coast Guard. With all due respect, many times I ask for reports and I get reports that are nice and rosy and shiny. Even when I am there, I get that indication that everything is going along smoothly. Maybe I ought to start checking on it a little more closely.

I know the town of Kodiak is very, very supportive and has worked very well with the Coast Guard and will continue to do that. You are right, the availability, as the lady said, is very scarce. So, we want to upgrade the housing on the base. It is not a real in-depth question; I was just curious to hear it from your side of the aisle.

Chief Constantine. I could make a recommendation to you, sir, that next time you are up in fine metropolitan area of Kodiak you drop in on one of those seamen or third class petty officers living there. You would probably get a different answer, sir.

Mr. Young. Thank you. I do appreciate it.

Chief Constantine. Yes, sir.

Mr. Studds. If I may, Commodore Lagen, I want to ask you something about the auxiliary, if I may. I am not sure how many people really focus on that organization or understand it, and I gather there have been some changes.

You have almost as many people as there are in the Coast Guard itself. The problem is that both of you, the Coast Guard and the auxiliary, are getting smaller, as I understand it. From your statement, you say that you have lost more than 6,000 members since 1979. The number of lives saved by the auxiliary has declined by more than 50 percent during the same period.

What are the reasons both for that decline in membership and what, if anything, are you doing at this point to try to reduce that?

Commodore Lagen. We have had a decline, and it has been that way for the past several years. At first, we thought it was economic. The economic situation changed, and the trend started upward. We found we were still losing members.

The tenure of membership in the auxiliary is about 4 years. We seem to have a changeover after about 4 years. We have tried several incentive programs to promote growth, rewards for flotillas to build up their membership. That didn't work. We looked at our goals program and our awards program, because we do have disenrollments. At the end of the year, they might not be active enough, and the flotilla feels that maybe they should go into a permanent membership, inactive status, or even disenroll.

That exodus is hurting us. Our permanent membership rolls have increased. A permanent member is a retired status with the auxiliary, and we have increased that to almost a third of our membership now. We have about 8,000 permanent members compared to maybe 4,000 or 5,000 that we might have had in 1980.

We did institute some changes this year in the permanent member category. Where it took 10 years to become a permanent member, now we have increased it to 15 years, and the member is still required to pay dues until he reaches 20 years. We hope that this will encourage the member to stay active and not go into permanent membership.

It seems like our enrollment isn't too bad. We do manage to enroll a substantial amount of members. It is the retention that is hurting us.

Mr. Studds. Let me ask you one thing in fairness, finally. A later witness, as I am sure you know, is going to suggest that the auxiliary's vessels are not equipped to handle continued towing operations and that, therefore, you should not be asked to handle towing in nonemergency situations. I suspect you would like an opportunity to respond to that.

Commodore **Lagen**. Our vessels are equipped to tow. We have been doing it for many years. Our vessels are examined for the proper equipment. Our crews are trained and have to perform certain tasks, pass certain exams, to be qualified to do search and rescue. So, we do have a professional crew that goes out there equal to what the Coast Guard does with their crew members. Our tasks are very similar.

Mr. **Studds**. Fine. Thank you, sir.

Thank you, Chief. We particularly appreciate your eloquence and simplicity. They are one and the same, which is often forgotten here.

Chief **Constantine**. Thank you, sir.

Mr. **Studds**. Thank you.

Let me say, first of all, as we proceed now into the remaining panels, anyone who is unable to find a chair is welcome to come and sit around in the lower horseshoe here.

It is obvious, both because of the number of witnesses we have and the number of panels we have and the unfortunate delay due to powers higher than any in this city of the beginning of the hearing, that we are going to have to expedite proceedings even more than we would normally try to do. I apologize in advance to the members of the panel.

Panel 2, please come up while I am explaining how brief you are going to be. We have asked all of the remaining witnesses if they could confine their oral statements to no more than 5 minutes. Obviously, it is elementary arithmetic that even if you all limit your testimony in exactly 5 minutes, none of us will have lunch and we will threaten the dinner hour, especially if we are interrupted by votes.

Let me just say that, as you have been told, all of your written statements will appear in their entirety in the record, and they will be read with extraordinary care, both by the members and by the staff of this committee. We would ask you, if you could, to have some sympathy for those who have been sentenced to the latter panels here and who may get extremely hungry by the time their time comes around. We apologize to you in advance for the logistical necessity.

Panel 2 is Mr. Bennett, national president of the Navy League; Captain Roy Moody, director of naval affairs of the Reserve Officers Association; and Sergeant Major Jack McKinney, executive director of governmental affairs for the Non-Commissioned Officers Association.

Gentlemen, we welcome you. I assume you want to proceed in the order in which you appear, and we will start with Mr. Bennett.

STATEMENT OF BERNARD BENNETT, NATIONAL PRESIDENT, NAVY LEAGUE

Mr. **Bennett**. Thank you, Mr. Chairman.

Mr. Chairman and distinguished members of the committee, I appear before you today as the leader of 54,000 loyal American citizens dedicated to the support of seapower for our country and dedicated to the U.S. Coast Guard as an element of that seapower. I should point out that unlike most military support organizations, none of our members is on active duty with any branch of the armed services nor are we an organization restricted to retired officers or other career military. Mostly, we are just ordinary citizens from all walks of life dedicated to the support of seapower.

I shall not attempt to provide you with a long list of statistics. However, there are certain issues involving the Coast Guard and its many missions which, in my view, do warrant discussion.

While the Navy League recognizes the importance of reducing the budget deficit and the necessity for Government departments and agencies to tighten their belts, we believe that the Coast Guard should be exempted from sharing across-the-board reductions, due to its vital role in national defense, drug interdiction, search and rescue operations, and port safety. That is just to mention a few of the many missions it accomplishes.

The Coast Guard, by public law, is at all times, in peace and war, one of the armed services of our Nation. Without adequate funding and personnel, the Coast Guard cannot possibly meet its national and international commitments.

Therefore, the Navy League strongly supports this committee's proposed authorization figures for 1987 and 1988. We particularly endorse the committee's proposed $300 million for acquisition, construction, and improvements for 1987. The administration's request for $77 million for AC&I is most decidedly inadequate and reflects a most unreasonable 87-percent reduction from the fiscal 1986 budget.

The Navy League supports and praises the congressional initiatives that have funded much needed equipment for the Coast Guard under the coastal defense augmentation line item in the fiscal year 1986 DOD budget. These items are necessary to equip the Coast Guard for its Maritime Defense Zone responsibilities, and we note with approval they will also provide significant capability across the full range of Coast Guard peacetime missions and, hence, must be considered very cost-effective use of limited national resources. We hope this effort will be continued.

However, we do have a concern with these congressional actions. We suspect that the Coast Guard will have problems operating these new acquisitions for, while the equipment was purchased, no funding was provided for the people, the fuel, or the spare parts to operate these new ships and aircraft. We respectfully recommend that for further Coastal Defense Augmentation budgets, operating funds be added to the acquisition funds.

The Coast Guard's role as a wartime partner to the Navy cannot be overemphasized in view of today's world situation. Inasmuch as the U.S. Navy now has a three-ocean responsibilities, its assets are spread thinner than ever. In time of tension or war, it will have farflung duties with its assets spread even thinner. As a consequence, the Coast Guard will, of necessity, be required to contribute far more to the defense of our own coastal waters and the Caribbean, despite its own limited assets.

Fortunately, we are gifted with a unique national resource, the Coast Guard. It has the authority as well as the responsibility of enforcing our laws on the high seas. As an armed service, it has both present capability and the capacity to adapt to the future technical and logistic needs of this enforcement activity.

The Navy League agrees with this committee's efforts to place constraints on the contracting-out of the functions which would impact the Coast Guard's core logistic and operational capabilities.

Much has been written and many pronouncements have been made about turning over governmental responsibilities to the private sector through contracting out selected work to commercial businesses or the privatization of entire functions to private firms. The thesis is that any private business, by virtue of the profit motive, is more efficient and hence less costly than any Government operation it would replace. In this day of massive deficits and Gramm-Rudman-Hollings, privatization sounds like a good idea.

The Coast Guard, as well as other Government agencies, has become a target for privatization, and the simplistic claims of many billions of dollars to be saved are sweet music in this budget-embattled town.

Unfortunately, in the case of the Coast Guard, as is often the case in the real, complex world, the facts do not support the claimed savings. Let us consider an example.

The proponents of privatizing the Coast Guard have claimed that up to 75 percent of the search and rescue could be done by the private sector, leaving the Coast Guard only the remaining 25 percent which is beyond the capability of a commercial operator. The user, or rescuee, would pay the actual cost of his or her rescue, thus saving the taxpayer 75 percent of the Coast Guard SAR budget. Not so.

What is wrong with this? First, in order for the Coast Guard to be equipped and manned for the 25 percent the private sector cannot perform, it would need virtually the same resources it has now, because these are the difficult cases they would attend to, the ones that require a full systems response, the ships, the aircraft, the communications centers, the AMVER (Automated Merchant Vessel Emergency Reporting System) computers, and the highly experienced and dedicated people. In reality, there is no equipment or people savings. Perhaps some fuel and spare parts money can be saved, but perhaps not, as the training necessary to keep the total system ready for the rough and isolated cases is considerable. The result is not a savings but rather a layering of the commercial system costs over the existing Coast Guard operation, not very beneficial to the taxpayer in the Navy League's view.

Further, let's examine the commercial operation for a moment. Whom do commercial operators bill when they respond to a call for help, search diligently for hours or days, and find nothing? What do these commercial operators do while they wait for a call? They sit at the dock.

Mr. STUDDS. Mr. Bennett, I apologize. I have to tell you your five minutes has evaporated. If you want to summarize or conclude, you may do so.

Mr. BENNETT. All right, sir. I have just one paragraph.

The Coast Guard, on the other hand, makes good use of its equipment and people available. The same Coast Guard resource that rescues the sinking fisherman on Monday is a key element in a drug bust on Tuesday, is supervising the cleanup of an oil spill on

Wednesday, is performing port safety patrols on Thursday, and is called in to help repair an aid-to-navigation on Friday. Then, on Saturday when the rest of us are enjoying the weekend, the Coast Guard is back to answer another call for help, wherever it may be.

I can say, sir, that we have a fine organization in the Coast Guard. We have the best, and I can only say that whenever we have called on them, they have never let us down.

Thank you.

[Prepared statement of Mr. Bennett follows:]

PREPARED STATEMENT OF BERNARD BENNETT

Mr. Chairman and Members of the Committee:

I appear before you today as the leader of 54,000 American citizens dedicated to the support of SEA POWER for our country - and to the United States Coast Guard as an element of that sea power. I should point out that unlike most military support organizations, none of our members is on active duty with any branch of the armed services, nor are we an organization restricted to retired officers or other career military. Mostly, we are ordinary citizens from all walks of life dedicated to the support of sea power.

While the Navy League recognizes the importance of reducing the budget deficit and the necessity for government departments and agencies to tighten their belts, we believe that the Coast Guard should be exempted from sharing across-the-board reductions, due to its vital role in national defense, drug interdiction, search and rescue operations and port safety, to mention only the most well known of its missions. The Coast Guard, by public law, is at all times, in peace and war, one of the armed services of the United States. Without adequate funding and personnel, the Coast Guard cannot meet its national and international requirements, not only to the detriment of our country, but also with an adverse effect on all maritime nations. Therefore, the Navy League strongly supports this committee's proposed authorization figures for 1987/88. We particularly endorse the committee's proposed $300 million for AC&I for 1987. The Administration's request for $77 million for AC&I is decidedly inadequate and reflects a most unreasonable 87% reduction from the fiscal 1986 budget.

I shall not attempt to provide you with a long list of statistics; I know that other testimony has been fully adequate in that regard. However, there are certain issues involving the Coast Guard and its many missions which, in my view, do warrant discussion by a layman, particularly those involving drug interdiction and national security.

The Coast Guard's role as a wartime partner with the Navy cannot be overemphasized in view of today's world situation when threats to American security have become more diverse. This past year alone, millions of people were involved in more than 30 armed conflicts throughout the world. These ran the gamut from civil unrest in the Philippines, to insurgencies in Central and South America, to war in Chad, to direct conflict between states in the Persian Gulf.

Because the U.S. Navy now has three ocean responsibilities, its assets are spread thinner than ever. In time of tension or war, it will have far-flung responsibilities in the GIUK gap, the Indian Ocean, the Mediterranean, and the Western Pacific. As a consequence, in such times, the Coast Guard will of necessity be required to contribute far more to the defense of our own coastal waters and the Caribbean, despite its own limited assets.

It follows that the Coast Guard's military readiness mission should include the performance of Military Defense Zone Command responsibilities. The Navy League supports the committee's proposal to amend Title 14 of the U. S. Code to this effect.

Current peacetime operations for drug interdictions could well become anti-sabotage patrols. Port safety would become port security. Cutters on fisheries patrols would have an added ASW responsibility, etc.

Our maritime strategy recognizes and depends on close cooperation with allies and sister services. Recent years have seen major new agreements between the Navy/Marine Corps and the Coast Guard, the Army and the Air Force.

The Navy League regards the Administration's War on Drugs as a vital element of our national security. The news media accounts of the linkages between drugs, weapons, and terrorism in our hemisphere present a real life concern - not a remote abstraction. Illicit drugs are an insidious threat domestically because of their documented social and economic impacts. But consider the geopolitical problem. Illicit drugs offer a means for our adversaries to finance - with our purchases - their support of hemispheric terrorism and civil disturbance. We do not know the extent of this problem, but federal indictments of Cuban and Nicaraguan officials in recent years are a chilling insight.

Fortunately, we have a unique national resource in the Coast Guard; it has the authority as well as the responsibility of enforcing our laws on the high seas. As an armed service, it has both present capability and the capacity to adapt to the future technical and logistic needs of this enforcement activity.

We should ask how the nation could make better use of the existing Coast Guard infrastructure to support a greater tempo of surface and air operations against the very real enemies of our nation. If the estimate of a cancerous $80 billion illicit drug business is even remotely accurate, how can we not invest in the Coast Guard's operational equipment and personnel? When we examine the Coast Guard's budgets over the past several years, on a constant dollar basis, it is difficult to detect a real budgetary emphasis on the curbing of this problem.

The Navy League agrees with the committee's efforts to place constraints on the contracting out of functions which would impact the Coast Guard's core logistic and operational capabilities.

Recently, much has been written and many pronouncements have been made about turning over governmental responsibilities to the private sector through contracting out selected work to commercial businesses or the privatization of entire functions to private firms. The thesis is, that any private business, by virtue of the profit motive, is more efficient, hence less costly, than any government operation it would replace. In this day of massive deficits and Gramm-Rudman-Hollings, privatization sounds like a good idea.

The Coast Guard, as well as other government agencies, has become a target for privatization, and the simplistic claims of many billions of dollars to be saved are sweet music in this budget-embattled town.

Unfortunately, in the case of the Coast Guard, as is often the case in the real, complex world, the facts do not support the claimed savings. Let us consider an example.

The proponents of privatizing the Coast Guard have claimed that up to 75% of the Search and Rescue (SAR) could be done by the private sector, leaving the Coast Guard only the remaining 25% which is beyond the capability of a commercial operator. The user, or rescuee, would pay the actual cost of his or her rescue, thus saving the tax payer 75% of the Coast Guard SAR budget. What's wrong with this?

First, in order for the Coast Guard to be equipped and manned for the 25% the private sector can't perform, it would need virtually the same resources it has now, because these are the most difficult cases, the ones that require a full systems response, i.e. the ships, aircraft, communications centers, the AMVER (Automated Merchant Vessel Emergency Reporting System) computers, and the highly experienced and dedicated people. So there is no equipment or people savings. Perhaps some fuel and spare parts money can be saved, but perhaps not, as the training necessary to keep the total system ready for the rough cases is considerable. The result is not a savings, but rather a layering of the commercial system costs over the existing Coast Guard operation, not very cost-beneficial to the taxpayer, in the Navy League's view.

Further, let us examine the commercial operation for a moment. Whom do commercial operators bill when they respond to a call for help, search diligently for hours or days, and find nothing? What do these commercial operators do while they wait for a call? They sit at the dock. The Coast Guard, on the other hand, makes good use of its equipment and people availability. The same Coast Guard resource that rescues the sinking fisherman on Monday, is a key element in a drug bust on Tuesday, is supervising the clean-up of an oil spill on Wednesday, is performing port safety patrols on Thursday and is called in to help repair an aid-to-navigation on Friday, and then on Saturday night, when the rest of us are enjoying our weekend, the Coast Guard is back to answer another call for help.

This is one of the great strengths of the U.S. Coast Guard. It has become an expert in utilizing its expensive resources, so as to gain the most benefit for the minimum expense. Its multi-mission equipment and people are not an exercise in governmental consumption, but rather a very impressive example of maximizing the return on our tax dollar.

This cost-effective method of operation has not been accidental, far from it. Since 1970 the Coast Guard has had its mission responsibilities significantly expanded by legislative and executive action, yet its personnel has decreased from about 45,000 in 1972 to less than 39,000 in 1986. The Coast Guard has had to do more, with less.

Far from disassembling sections of the Coast Guard to benefit some commercial interests, we should be encouraging other governmental agencies to emulate the Coast Guard. We, the taxpayers will be the beneficiaries.

The Navy League supports and praises the Congressional initiatives that have funded much needed equipment for the Coast Guard under the Coastal Defense Augmentation line item in the FY'86 DOD budget. These items are necessary to equip the Coast Guard for its Maritime Defense Zone responsibilities, and, we note with approval, they will also provide significant capability across the full range of Coast Guard peacetime missions, and hence must be considered very cost-effective use of limited national resources. We hope this effort will be continued.

However, we do have a concern with these Congressional actions. We suspect that the Coast Guard will have problems operating these new acquisitions for while the equipment was purchased, no funding was provided for the people, the fuel, or the spare parts to operate these new ships and aircraft. We respectfully recommend that for futher Coastal Defense Augmentation budgets, operating funds be added to the acquisition funds.

Our nation is committed to the strengthening of its defenses, and the Coast Guard, as an integral part of the defense structure, must be provided the modern equipment, support, and personnel it needs to fulfill its role. These resources are necessary also for its peacetime missions, missions that are unlikely to diminish in the years to come.

Thank you.

Mr. Studds. Thank you, and I apologize for interrupting you. We wouldn't be so graceful ourselves if somebody did that to us. You are very kind.

Captain Moody.

STATEMENT OF CAPT. ROY MOODY, USN RETIRED, DIRECTOR OF NAVAL AFFAIRS, RESERVE OFFICERS ASSOCIATION

Captain Moody. Mr. Chairman and members of the subcommittee, it is always a pleasure to appear before you, particularly since we share like concerns about the support, or lack thereof the Coast Guard usually gets.

We are pleased that the administration has recommended an increase of 500 in the Coast Guard Selected Reserve. We would point out, however, that that equates to only 47 percent of mobilization requirements, which certainly is a long way from the Department of Defense program putting all of its Reserve components at 100 percent of mobilization requirements by 1988. We have included a chart in our statement showing comparisons of the five Armed Forces reserve components.

Also, the proposed increase of $3.7 million for reserve training does not support the additional 500 selected reserve personnel which have been requested. It simply covers cost escalation, pay raise annualization, et cetera.

The administration has, in effect, proposed an increase of 500 personnel and has not included one penny in the budget to support them. We estimate that an additional $2 million would be necessary to support this particular increase.

In the proposed authorization of funds for operating expenses, consideration apparently has not been given to the possibility that the $375 million of equipment to be procured by DOD could come on line during 1986 and 1987. Congress was very explicit in their language that immediate procurement was expected. The Coast Guard OE account, however, would be increased by only something around 6 to 10 percent for 1987 and 1988. Since Congress is unlikely to entertain a supplemental 1986 budget request during its second current session, we urge that Congress consider operational needs to preclude the mothballing of equipment vital to many missions, including the maritime defense zone.

We are very concerned with the administration's AC&I request of only $77 million, and we fully support this subcommittee's draft requesting $300 million. This amount of $77 million obviously reflects a reduction in budget authority to offset the add-on Coast Guard funding appropriated to the Navy in fiscal year 1986. However, the Congress obviously intended that the 1986 add-on be used to increase the capital plant inventory.

This attempt by the administration is consistent with actions taken every time the Congress appropriates add-on Coast Guard funding through the Defense Department for additional equipment. In the last 5 years, Congress has added $975 million to be used for equipment procurement over and above that planned in the programmed AC&I budget. To the best of our knowledge, little, if any, additional equipment has been procured, and the funding has consistently been used for purposes other than that intended by the Congress.

We submit that it is time that Congress ensure the add-on funding is used for additional equipment, as intended, and that the normally programmed AC&I appropriation be funded in full.

Fiscal year 1986 continuing appropriation action placed those funds, passed through DOD, under function 050, defense. Chairman Jones' recent National Security Report article proposed the Coast Guard budget also come under the scrutiny of the Armed Services Committee and the Defense Appropriations Subcommittees.

We have pondered the advisability of breaking out the entire Coast Guard budget into two functions, defense function 050 and transportation function 400, both of which would still continue to be subject to Merchant Marine and Fisheries Committee authorization. Clearly, Reserve funding could be considered a function 050 activity. Some AC&I and OE funding was so treated in fiscal year 1986. Certainly, function 050 funding would prevent the labeling of all Coast Guard appropriations as nondefense discretionary funding as the Senate did during fiscal year 1986 budget discussions.

Finally, we wish to hoist a warning against current pressures to privatize a wide range of Coast Guard activities. The concepts are not new; they just carry different labels. Not too many years ago, there were moves to civilianize the service. Then came pressures to contract out services through the so-called A-76 process and, now, privatization.

The Coast Guard roles have been consolidated, reduced, expanded, surveyed, and heavily scrutinized by both external and internal reviews over the years and always have been determined to be in the public interest. We are very concerned that privatization will be pushed without regard for the adverse impacts it may have on national security. Accordingly, we strongly support the identification of core logistics activities as required by section 5 of this subcommittee draft.

The Coast Guard provides this country with a ready, highly specialized, professional military force in position to support or link up with the other Armed Forces if this nation must be defended, ready on a 24-hour basis to go anywhere at a moment's notice. As ROA has noted on many occasions, the JCS war plans call for the Coast Guard to perform a variety of functions, many overseas, in a national emergency. In many of these missions, the Coast Guard alone, among all the armed services, possess the sole capability and expertise.

Even the staunchest proponents of privatization, such as the Coalition of Americans for Privatization, agree that national defense cannot be privatized and must be done by the public sector. Mr. Chairman, the Reserve Officers Association submits that most of the Coast Guard's peacetime functions translate directly into wartime functions essential to national defense.

We continue to rely on this committee to see that the Coast Guard will always have forward movement, even though it may have to back and fill a bit in the process.

Mr. Chairman, that concludes my presentation.

[Prepared statement of Captain Moody follows:]

PREPARED STATEMENT OF CAPT. ROY B. MOODY, JR., USNR (RET.)

Mr. Chiarman and members of the committee: I am pleased with the opportunity you have afforded the Reserve Officers Association to participate in this hearing regarding Coast Guard Authorization legislation for the fiscal years 1987 and 1988. I might add that it is always a pleasure to testify before this Committee since we share like concerns about the support, or lack thereof, the Coast Guard receives. Mindful of the ROA's Congressional Charter to support a military policy for the United States that will provide for adequate national security and promote its development and execution, it would appear that we, the Congress and ROA, have a compact that is similar to that Total Force mutually-supportive concept that exists between the Reserve and Regular components of the various military services—one of which is the Coast Guard, through some recent actions and attitudes would seem to belie that truth.

Beginning with President Harry Truman, who signed the ROA Charter, and as later expressed by President John F. Kennedy, it is also ROA's belief that "through the centuries of crisis the American tradition has demonstrated . . . that freedom is the ally of security"—and that is what we are about. Expressed in other terms, security might well be equated with peace, and peace is secured through strength, an adequate military strength, along with a sound political economy, and all else that makes for a strong United States. Interestingly, it is that strength that allows some nations to proclaim their neutrality and others their non-alignment.

Last October we expressed to you our concern for the early implementation of a credible Maritime Defense zone initiative, particularly suitable to a trained, well-equipped and well-exercised Reserve establishment—only to be confronted with budgetary setbacks and the continuation of nationally sponsored terrorism, coupled with pressures to privatize many maritime activities in the very zones that are critical to current forward deployment strategies. To support forces deployed overseas, it is indispensable to insure the safe transit of material out of our staging ports, through the Maritime Defense or Coastal Zones and finally, with similar techniques, to disembark such material on foreign shores.

The Commanders, Coast Guard Atlantic and Pacific areas have expressed a need for at least 40,000 additional Naval and Coast Guard Reservists just to effectively implement the full MDZ concept. We are pleased that the Administration has recommended an increase in the Coast Guard Selected Reserve of 500—from 12,500 to 13,000, but for all missions. However, this minimal increase hardly responds to an established mobilization requirement of 27,400. Additionally, we see little evidence of significant amounts of equipment dedicated to Reserve training and use.

Based on a cursory interpretation and analysis of available budget figures, it appears that only some $6 million, of the $100 million to be transferred to the Coast Guard through DOD for MDZ and military readiness related training (FY86 continuing resolution), will be earmarked for Reserve use. Couple this with impending Gramm-Rudman reductions and we harbor a dire concern for the freedom and security that President Kennedy thought so essential. I say this with appreciation of the recognition you are giving to the MDZ in Section 6 of your proposed bill and of the $65.2 million (increased from $61.5 pre Gramm-Rudman budget) proposed in the President's FY87 Budget for Reserve Training.

I would like to emphasize, however, that this proposed increase of $3.7 million does not support the additional 500 selected Reserve personnel which have been requested. It simply covers cost escalation, pay raise annualization, Reserve G.I Bill costs, and continuation of FY86 programs into FY87. Mr. Chairman, the Administration has proposed an increased of 500 personnel and has not included one penny in the budget to support them. ROA estimates that an additional $2 million is necessary to support this requested, and very essential, increase. It seems, I suppose, that ROA is concerned about relatively insignificant amounts of money. However, as this committee well recognizes $2 million is not an insignificant amount to the Coast Guard.

This is an appropriate time to express ROA's support for Congressman Anderson's bill, H.R. 4035, which would exempt the Coast Guard from reductions under sequestration orders issued pursuant to the (Gramm-Rudman-Hollings) Balanced Budget and Emergency Deficit Control Act of 1985.

At this point I will comment on the various sections of your proposed FY 1987, 1988 authorization bill as appropriate.

In your proposed authorization of funds for operating expenses, it is not clear that you have given consideration to the possibility that the $375 million of equipment to be procured by DOD for the Coast Guard could come in on line during FY86 and FY87. Since Congress is unlikely to entertain a supplemental FY86 budget request during its current Second Session, ROA urges that Congress consider operational needs to preclude the mothballing of equipment vital to many missions, including the Maritime Defense Zone.

Though it may not be within this Committee's jurisdiction to specifically authorize Reserve Military Training in Section 3 of your proposed bill, it would seem appropriate to address this need out of concern for total force readiness—if only in your accompanying report.

With regard to the transfers of funds provided for in Section 4, there appears to be sure restriction of flexibility in not allowing the Secretary concerned discretion to transfer funds freely (subject to the 10 percent limit) between the first three cited accounts, especially into the OE account. It appears that funds could be transferred from OE and A, C&I into other accounts. However, the language does not appear to permit transfer into OE and A, C&I. At the same time it is possible that the OE account might, from ROA's perspective, be unduly reduced—we would recommend restricting any dilution of the OE account.

With respect to Section 5, we recommend the insertion in Line 25, Page 4 of your draft bill the phrase "maritime defense" so as to read in part "in behalf of the security, including maritime defense, . . . of the United States."

With respect to Section 7, ROA notes that it is entirely possible for major components of a Coast Guard vessel to be constructed other than in a shipyard, and in a foreign country. These components can then be transported for assembly in the United States. This "loophole" would seem to raise a policy question, or to suggest, that your proposed restriction may not be as all encompassing as intended.

Section 8 would seem to overlook the possibility that a formerly active Coast Guard shore facility might be licensed to the Auxiliary and thus become an object of Auxiliary expense for maintenance—and a claim therefore.

ROA strongly supports the identification of core logistic activities, as required by Section 5. However, we recommend that the submission deadline be advanced to 30 September 1986, corresponding to the current Fiscal Year. In the interim, the Secretary should be directed to withhold the contracting out of any activities that have been or might be so identified.

With reference to Section 14 and the use of forfeited vessels, transfer to qualified educational institutions should be permitted only after certification by appropriate Navy and Coast Guard officials that such vessels are unsuitable for use in MDZ, or other national security, activities. The Navy's experience in attempting to convert forfeited vessels to mine countermeasures use (COOP Program) indicates that, for the most part, these forfeited craft are unsuitable and that costs associated with modification and conversion are excessive. Nevertheless, each type of vessel/craft should be evaluated by Navy/Coast Guard for first priority use.

While not germane to section 14, Congress should also concern itself about the proper utilization of any active Coast Guard equipment identified to be "laid-up" because of Gramm-Rudman, or other, budget reductions. If at all possible, such equipment should be transferred to the Coast Guard Reserve for training and essential maintenance. While not totally available for operational use, equipment transferred to the Reserve will be much more available when needed than if "mothballed". Additionally, essential peacetime training platforms for the Reserve are thereby maintained, rather than lost.

I would like to focus again on the relationship between the OE and A, C&I appropriations, both as recommended by the Administration and as reflected in your Subcommittee draft. The Coast Guard projected equipment (air and sea) inventory was significantly increased by the FY86 add-on funding funnelled to the Coast Guard through the Department of defense. Congress specifically noted that immediate procurement, was expected, noting that the funding was for procurement, not design. However, the OE account would be increased by only 6 to 10 percent in Fiscal Years 1987 and 1988. There is an apparent imbalance in the perception of what would be necessary to responsibly field the new equipment that will be coming on line.

As a corollary, ROA is concerned by the Administration's A, C&I request of only $77.1 million. This obviously reflects a reduction in budget authority, that had hovered in recent years at some $300 million, to effect the add-on funding appropriated through the Navy in 1986. However, the Congress obviously intended that the 1986 add-on be used to procure additional equipment, i.e., an increase in the capital plant inventory. That add-on did not provide for the planned rehabilitation of the existing fleet of cutters, nor does the FY87 request. In fact, the Administration's Budget submission specifically acknowledges that only seven of twelve High Endurance Cutters (378' WHEC) and only six of sixteen Medium Endurance Cutters (210' WMEC) will have entered a shipyard for critical overhaul and modernization by the end of FY87. These are vessels that are particularly suited to the new Maritime Defense Zone mission in fulfillment of the Coast Guard's special augmentation-of-Navy role—they are also the classes of vessels that Reserve Vessel Augmentation Forces would be and are assigned to for training. Your draft bill appears to recognize this need.

This obvious attempt by the Administration to flout the intent of Congress is totally consistent with actions taken everytime the Congress appropriates add-on Coast Guard funding, through the Defense Department, for additional equipment. In the last five years, Congress has added $975 million to be used for equipment procurement over and above that planned in the programmed AC&I Budget. To the best of our knowledge, little, if any, additional equipment has been procured and the funding has consistently been used for purposes other than that intended by Congress. The Administration appears bound and determined that capital plant inventory of the Coast Guard shall not be increased. ROA submits that it is time that Congress ensure that the add-on funding be used for additional equipment as intended, that the normally programmed AC&I Administration be funded in full, and that concomitant personnel, operating and maintenance growth, to support the additional assets, be mandated.

This reference brings to mind two additional funding packages carried in 1986 Navy appropriations for Coast Guard use—through its Operating Expenses accounts. One $15 million package, sponsored by Representative Charles Bennett, (D-FL), was to provide 500 additional personnel to serve as boarding teams to be carried on Navy vessels for drug interdiction efforts. This increase is not reflected in published budget material for the Fiscal Year ahead. Of more concern to ROA and Reserve forces is the $100 million similarly provided to the Navy O&M account to reimburse the Coast Guard for expenses related to training and maintenance needs associated with military readiness. In spite of this funding, the Reserve establishment has experienced a slow down in training, perhaps in anticipation of Gramm-Rudman impact, but sufficient to suggest that your Committee express its concern over stewardship of this readiness account.

ROA recognizes that the Administration has requested an increase of 500 Coast Guard Reservists; but we would reiterate that the 13,000 personnel requested still constitutes only 47% of Coast Guard mobilization requirements. The reflected rate of increase is a long way from matching the Department of Defense program that would put all of its Reserve Forces at 100% of mobilization requirements by 1988—as illustrated in the following table:

[Manpower shown in thousands]

	Army	Navy	Air Force	Marine Corps	Coast Guard
1980	202	86	58	33	11.7
1981	212	87	60	37	11.7
1982	242	93	63	40	12
1983	251	102	67	43	12
1984	255	110	70	43	12
1985	263	118	70	42	12.5
1986	273	125	75.6	43	12.5
1987	273	125	75.6	46	13
1988	[1] 292	[1] 130	[1] 75.6	[1] 49	[2] 13
Percent increase	44.6	51.2	30.3	48.5	10

[1] 100 percent mobilization requirements

[2] 50 percent mobilization requirements

The above readiness projections draw attention to the eight Coast Guard operating expense programs identified as line items in the FY87 Administration Budget. One of these is Defense Readiness. The FY86 Continuing Appropriation action placed funds passed through the DOD to the Coast Guard under Budget Function 050 (Defense). Chairman Jones' recent National Security Report proposed that the Coast Guard budget also come under the scrutiny of the Armed Services Committee and Defense Appropriation Subcommittee. ROA has pondered the advisability of breaking out the entire Coast Guard budget into two functions, Defense Function 050 and Transportation Function 400, both of which would continue to be subject to Merchant Marine and Fisheries Committee authorization. This would not alter the manner in which your Committee now manages its authorization responsibility but it might provide a military identity which some consider lacking. Of course, such action would require action by two Appropriations Subcommittees, Defense and Transportation. Clearly, Reserve funding could be considered a Function 050 activity; some AC&I and OE funding was so treated in FY86. Function 050 funding would escape the anomaly of labeling all Coast Guard Appropriations as "non-defense discretionary funding" as did the Senate and the Congress during consideration of the reduction initially proposed by the FY86 Continuing Resolution.

While discussing the feasibility of a Function 050 budget for the Coast Guard Reserve and associated defense activities, ROA notes that the FY86 appropriations has benefitted the Customs Service, through the Department of Defense, for drug interdiction aircraft modification. Funding was also added to the Air Force Appropriations for aircraft and a Command and Control structure to be used in the drug interdiction mission. We trust that these many drug interdiction efforts and elements are well coordinated. We also suggest that consideration now be given to the establishment of a Coast Guard Reserve aviation mission that would significantly enhance the Navy-Coast Guard Maritime Defense Zone capability and which would receive peacetime training and area familiarization through drug interdiction and surveillance activity.

Currently, the Government is striving to improve or retain productivity at less cost, this translates, in most cases, into personnel reductions. Mindful of another President Kennedy exhortation to "Ask not what your country can do for you, but what you can do for your country," I would call attention to an impediment to this thrust found in Title 31, U.S. Code, Section 1342. This impediment does not directly impact on the issues which we are currently discussing. However, there are most certainly indirect impacts.

This law prohibits an officer or employee of the U.S. Government from accepting voluntary services for the government exceeding that authorized by law, except for emergencies involving the safety of life or property. Thus, in specific instances retirees and some Volunteer Training Unit (VTU) Reservists have been under orders. Conformance has, interalia, inhibited the compilation of a real property guide, precluded service on a promotion or physical disability board, prevented assistance in a public affairs project, etc. It appears that compliance could prevent the use of volunteers on Congressional staffs. In any case, it certainly inhibits the spirit of volunteerism that is being fostered in the country today. Perhaps a review is warranted.

Finally, ROA wishes to host a warning against current pressures to privatize a wide range of Coast Guard activities. The concepts are not new, they just carry different labels—and have been policy to varying degrees over the years. Not too many years ago there were moves to "civilianize" the service; then came pressures to contract out services through the so-called "A-76 process;" and now privatization. There are many powerful arguments which support the conclusion that the hybrid multi-mission Coast Guard meaningfully and most cost-effectively promotes the general welfare of the nation, while significantly contributing to national security. The Coast Guards roles have been consolidated, reduced, expanded, surveyed and heavily scrutinized by both external and internal reviews over the years, and always have been determined to be in the public interest. Generally, our Coast Guard has been a model for other nations; it directly returns to the nation some 300% over its total appropriations; and through a multiplier effect produced through its ability to muster and coordinate a vast array of other private and governmental/public resources the Coast Guard indirectly balloons this return. ROA is very and immediately concerned with the adverse impact of any privatization of this maritime related service on port security, coastal/maritime defense vulnerability, Reserve training, salvage capability, vessel routing and the current military forward defense strategies. While providing the economic benefits noted above, the Coast Guard and its Reserve provide this country with a ready, highly specialized, professional military force in position to support or link-up with the other Armed Forces if this nation must be defended—ready on a 24 hour basis to go anywhere, in a moment's notice with no hassle. The loss of any significant portion of its missions must perforce result in a loss of training platforms and personnel—and correspondingly adversely impact our national security.

Last month at ROA's Mid-Winter Conference I heard some long-time (some might call them old-time) Coast Guard Reservists sing the following to the tune of The Marines Hymn:

From the shores of Coney Island
To the piers of NYC,
We will fight our country's battles
As we go forth to victory.

Oh, the Army and the Navy,
They go out to meet the foe,

But the Coast Guard never will retreat
Cuz it has no place to go.

We trust that those words are not as prophetic as those people felt. ROA relies on this Committee to see that the Coast Guard will always have forward movement even though it may have to "back and fill" a bit in the process.

Mr. Chairman, that concludes my presentation. I will be pleased to respond to any questions you or other committee members may have.

Mr. Studds. I thought you had got to the point where you were going to sing, and I was getting very worried about that.

Captain Moody. No; I pass.

Mr. Studds. Thank you, sir.

Mr. McKinney.

STATEMENT OF SGT. MAJ. C.A. "MACK" McKINNEY, USMC RET., LEGISLATIVE COUNSEL, NONCOMMISSIONED OFFICERS ASSOCIATION

Sergeant Major McKinney. Thank you, Mr. Chairman.

I would like to set the record straight. I went into semiretirement last October, and I am no longer the vice president for governmental affairs; I am the legislative counsel. I wanted to cut my hours down, but Gramm-Rudman came along, and I find that I am working longer hours than I did last year.

Mr. Studds. It does wonders for the blood pressure, doesn't it?

Sergeant Major McKinney. Right.

I certainly appreciate this opportunity to be here. With the chairman's permission, we strayed somewhat in our statement this year with the understanding, of course, that the association continues to support and actively push for a Coast Guard budget containing every dollar that service requires to accomplish the many missions it has. And, too, you have heard from the master chief petty officer of the Coast Guard this morning on the needs of his uniformed personnel, and, of course, we urge you to thoughtfully consider the recommendations that he has made.

Our concern for the coming year is the Gramm-Rudman-Hollings legislation or something similar that may gut the uniformed personnel account in the Coast Guard's budget. This concern broadens itself into three subissues, and they are: Severance pay for enlisted personnel which no such thing exists at the current time although every Federal employee, including commissioned officers of the armed services and our foreign employees in defense have that opportunity to receive severance pay. Our enlisted people do not.

Second is COLA's for the Coast Guard's uniformed and civilian retired personnel. As you know, this was denied this year in the Gramm-Rudman-Hollings. We feel it has a great and considerable impact on the readiness and morale of the forces in the future, and we certainly believe that although this subcommittee cannot put anything in the authorization bill on COLA, it probably can do a lot to help bring about a cost of living adjustment for the Coast Guard retirees and the civilian personnel this year.

Our last one is the probability that there may be a new uniformed personnel retirement system. I believe the chairman heard the master chief petty officer of the Coast Guard refer to this by saying we need to keep that current system, and we certainly do. The options that the Department of Defense have made to the

Armed Services Committees on the Senate and House sides are certainly inadequate for those military retirees, particularly enlisted people and the junior officers.

We have addressed these issues in our statement, Mr. Chairman. I will take no more of your time but stand ready for any questions that you may have.

Thank you very much for the opportunity.

[Prepared statement of Sergeant Major McKinney follows:]

Prepared Statement of Sgt. Maj. C.A. (Mack) McKinney, USMC Ret.

MR. CHAIRMAN: I am Sergeant Major C. A. (Mack) McKinney USMC Retired, Legislative Counsel for the the Non Commissioned Officers Association of the USA (NCOA). NCOA represents more than 185,000 noncommissioned and petty officers of the armed forces, principally those now serving on active duty. Since NCOA does have a substantial representation among Coast Guardsmen, it welcomes the opportunity to address this distinquished subcommittee on issues of importance to enlisted men and women of the United States Coast Guard. Your invitation, Mr. Chairman, is most gratefully acknowledged.

PRIORITY

NCOA is as concerned with the deficit as any private organization or business enterprise, including that of Mr. J. Peter Grace.[1/] However, NCOA is much more practical than he and those who are confused over priorities. One of the Nation's top goals should and must be to maintain a strong, viable, experienced and modern Coast Guard that can perform those tasks assigned to it by law and regulation.

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[1] J. Peter Grace, millionaire chairman, W.R. Grace & Co., and former chairman, Pres. Reagan's Commission on Cost Control (PPSCC) (referred to as the "Grace Commission")

Regretably, there are far too many in Congress and in the Adminstration who believe otherwise. They have worked steadily to decrease the Coast Guard's authorizations and appropriations without reducing its numerous missions. The proposed FY 1987 Coast Guard budget is down to $2.5-plus billion each for FYs 1985 and 1986. This request, according to the Administration, will include money to modernize and improve the service's capabilities. $1.8 billion is for operations, $20.5 million for research and development, $65.2 million for reserve training, $15 million for boat safety grants, and $354 million to fund "pensions" 2/ and medical costs of military retirees as well as survivor benefits. Also included are requests for personnel levels of 38,541 uniformed servicemembers and 5527 civilians.

IMPORTANCE OF PEOPLE

Mr. Chairman. It is exceedingly difficult to imagine this Congress, in its current mood and facing an election year, to be as generous as last year. The Coast Guard's budget will be tight, if nothing more than the result of a structured move on the part of many in Congress to show the people back home they're meeting the deficit face-on. Whatever the reason, the Coast Guard may be forced to spend less than required to do a creditable job; people programs will suffer. There is no way the Coast Guard can modernize and improve its hardware programs, continue to fulfill as many missions as possible under limited resources, push forward with research and development programs, and increase spending for reserve training without sacrificing some of its active-duty personnel who have been on-board for four and five years or longer.

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[2] Military retirees do not receive "pensions." Their retired pay, according to a Supreme Court decision, is "reduced compensation for reduced services."

What is most disturbing to NCOA is the ill-treatment that may be involuntarily cast upon many enlisted Coast Guardsmen denied reenlistment in FY 1987 because the Coast Guard must reduce its strength to meet a lower authorized manpower level. Not only will experience be traded-off for internships, all in the name of false economy, but the nation may release from active duty some of the very people who came on board when the services suffered personnel setbacks in the late 1970s. Not one cent will be given to them by their government in token of their service to the country and the Coast Guard. Civilian workers, for the most, will receive some form of severance pay. Officers could earn as much as $30,000. Enlisted personnel, nothing!

NCOA over the years has advocated severance pay for enlisted personnel of the armed forces; however, this panel is not the one to receive such a suggestion for consideration. Instead, NCOA urges this subcommittee to do what it can to insure that only a few career-oriented enlisted Coast Guardsmen [3] are denied reenlistment or discharged in FY 1986 thru 1988 for reasons other than voluntary requests or for substanderd performances. All others would, by virtue of a provision in the authorization bill, as recommended by NCOA, be entitled to at least six (6) months basic pay for rehabilitation purposes on the date of discharge or release from active duty.[4] [5] The association believes this to be fair and equitable treatment if Congress insists on meeting the deficit through reduced spending.

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[3] Uniformed personnel with more than 5-consecutive years of active service with the U.S. Coast Guard.

[4] To contain also a provision authorizing the transfer of fundings from any other account for the purpose of funding rehabilitation payments.

[5] This provision to be placed in the USCG authorization bill for FY 1987-88 only in the event the Senate and House fail to appropriate sufficient funds to provide for the compensation of all Coast Guard uniformed personnel on duty as of Oct 1, 1986.

RETIRED PAY

In the early 1970s NCOA was one of the quasi-military organizations calling for recomputation of military retired pay. However, Congress insisted on retaining the cost-of-living adjustments COLAs determined by rises in the consumer price index (CPI). Within the next eleven years Congress reneged any number of times on its initial promise, two of which occurred in the last three years. For a 10 percent recorded hike in the CPI, military retirees and their survivors received only a 3.5 percent COLA in Dec. 1984. Nothing was given in 1983 or 1985.

In Dec. 1985 Congress and the President stopped an already computer-programmed COLA to military and civil service retired pay. Congress had earlier approved the COLA so military and federal civilian retirees with their eligible survivors, were anticipating the increase in their checks due on or about January 1, 1986. As they did in 1982, conferees met at the last moment behind closed doors to deny military retirees and federal civilian pensioners their rightful benefits.

NCOA believes these political but cowardly actions should cease. It seeks the support of this distinguished panel to advocate the payment of COLAs to retired members of the U.S. Coast Guard, as well as those of the other armed forces, and to retired civilian Coast Guard employees. It is only fair and equitable to either deny all a government-financed or-sponsored COLA or provide a COLA for all eligible personnel.

OTHER PROGRAMS

NCOA has covered the principal issue of its concern in this statement. They may appear to be insignificant to some, but are of great interest to the enlisted men and women serving in the United States Coast Guard. The association asks the panel to aid NCOA in offering some protection for enlisted personnel not currently provided in law. This protection coupled with authorizing or improving as many people programs 6/ as financially feasible will be appreicated by NCOA, its membership and all noncommissioned and petty officers of the armed forces of the United States.

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[6] That have been or will be recommended to the subcommittee by the Master Chief Petty Officer of the Coast Guard.

Mr. Studds. Thank you, sir.

I am going to attempt to impose upon myself the same restraint that I have asked of all of you, as well.

Captain Moody, the Coast Guard has suffered this year a major reduction in operating expenses, as you know, partly due to the failure of the Congress to appropriate enough money and partly due to the mindlessness of the Congress in enacting the Gramm-Rudman law. However, I had better be careful since there are exceptions to every rule, and two of them are sitting here now—that is, to the mindlessness part.

We have heard Admiral Gracey testify about the effects of this shortfall in funding on the Coast Guard as a whole. I am wondering if you could describe its effects on the activities of the Coast Guard Reserve per se.

Captain Moody. I think that the impact on the Coast Guard as a whole will probably be reflected pretty much directly into the Coast Guard Reserve. Obviously, if active platforms are to be laid up, or mothballed, or whatever phrase you want to use, that limits training platform availability for the Coast Guard Reserve since they possess no equipment of their own.

Additionally, such reductions will cut back on Reserve travel funding. Reservists are not going to be able to go where they need to go to get their training. For any of us who have ever been around a reserve center, we know that when you have to perform training solely in a little red schoolhouse, that is very bad for the morale, and it is certainly very bad for the training.

So, I would anticipate that whatever adverse effects happen to the active force are certainly going to be visited on the reserve force.

Mr. Studds. Thank you, sir. I assume that an active platform is a boat.

Captain Moody. That is good DOD lingo, right.

Mr. Studds. I understand. Thank you.

Mr. Bennett, I thought you had an excellent statement, and I had only one simple question. On page 2 of your testimony, you list the far-flung responsibilities of the United States, including our responsibilities in the GIUK gap. That worries me a lot. Where is the GIUK gap and what are we responsible for in it or are we responsible for it?

Mr. Bennett. I deleted that from my address, sir.

Mr. Studds. You did? Do I have to continue to worry about it without knowing what it means?

Mr. Bennett. I didn't know either, sir. That is why I deleted it.

Mr. Studds. Well, I hope it won't emerge as a major issue in the next congressional campaign and one or the other of us be blamed for that gap. If you do find out, would you let us know? You certainly got my attention.

Mr. Bennett. I certainly will, sir.

[Information to be supplied follows:]

GIUK Gap

The GUIK Gap stands for Greenland Iceland/United Kingdom Gap. This area is of strategic importance to the United States because of its location; it is the sea lane for transit of Soviet Naval forces from the Northern Fleet to the Atlantic.

Mr. **Studds**. Thank you, sir.

The gentleman from Delaware.

Mr. **Carper**. I am tempted to followup on the GIUK Gap comment, but I am going to show some restraint because we have a lot of witnesses who are going to come before us.

Let me just say that I think all of us want to go to heaven and nobody wants to die. All of us like to reduce budget deficits but nobody wants to see their particular favorite program trimmed.

If we had to find 5 percent of funds to reduce in the Coast Guard's budget, where would we go? Where would you make your priorities? Captain Moody? Where do we cut the least muscle?

Captain **Moody**. I am not sure that I would answer the question the way you would want it answered. ROA's position is——

Mr. **Carper**. People usually don't want to.

Captain **Moody**. The Coast Guard did not share in——

Mr. **Carper**. Captain Moody, try to answer the question as I have asked it, please. Again, people don't like to answer the question, but it is an important one.

Captain **Moody**. I would not answer that simply because they never gained anything during the build-ups, so you can't take away something from somebody who never gained anything to start with.

Mr. **Carper**. OK. Do you think it is important to reduce budget deficits?

Captain **Moody**. Yes, I do.

Mr. **Carper**. Thank you, Mr. Moody.

[The following was submitted:]

ADDITIONAL REMARKS SUBMITTED FOR THE RECORD BY CAPT. ROY MOODY ON ACROSS THE BOARD CUTS

Asking where the Coast Guard budget can be cut by five percent implies a basic presumption that the Coast Guard must, in fact, be cut. ROA does not accept that presumption.

Under current judicial interpretation, likely to be upheld by the Supreme Court, automatic across-the-board cuts will not be forced by Gramm-Rudman. Accordingly, Congress and the Administration should establish priorities as to which activities should be cut and, if so, by how much. All relevant factors should be taken into account and undiscerning across-the-board cuts should be avoided.

Secretary Dole recently implied that national security and safety considerations might well mandate against full Gramm-Rudman reductions in the Coast Guard and FAA. She noted that other Department of Transportation agencies might have to absorb part of the Coast Guard's and FAA's "share" of any such reduction. Congressman Glen Anderson (D-CA) recently introduced H.R. 4035 which would add the Coast Guard as one of the health, safety, and law enforcement agencies exempt from Gramm-Rudman sequesteration actions.

The fact that the Coast Gaurd is not adequately funded and equipped to carry out its assigned missions is generally acknowledged by all concerned. Consistently, it has been asked to do more and more with less and less. Even though, by law, the Coast Guard is an Armed Force, it has not benefitted to any degree whatsoever from the defense "build-up", as have the other Armed Forces. While their budgets have increased dramatically since 1980, buying power of the Coast Guard budget has actually been reduced during the same period. Accordingly, it ill-behooves anyone, in Congress or in the Administration, to say that the Coast Gaurd, as a result of Gramm-Rudman or any other deficit reduction measure, must now accept its "fair-share" cut.

It is impossible to identify reasonably any reductions in a budget which, even several years ago, was acknowledged to be stretched beyond all reasonable bounds. ROA would remind the committee that only a few short months ago, the Coast Guard was facing a disastrous situation from proposed cuts which approximated eight percent.

ROA urges that deficit reductions be effected in a responsible manner by establishing priorities and by rejecting the simple, but mindless, "across-the-board" approach.

Mr. CARPER. Mr. McKinney, would you try to answer the question?

Sergeant Major McKINNEY. Well, I think there are a lot of places we can get the money to keep the Coast Guard running in full. I would suggest even the delay, perhaps in procurement, if necessary, to keep the people on board.

If we take 5 percent from the personnel account, we are going to lose some 1,500-plus people in the Coast Guard. That is a lot of people. How are we going to replace them? When are we going to replace them? Are we going to draft people into the Coast Guard?

If I may say, just for a second, you know, I am a dumb old sergeant, but I am really upset over what we call a big deficit, when I am not sure we have one. We have a $2 trillion deficit, so to speak. Yet, the country is worth $22 trillion or something in this area. Now, if I were a businessman and I had $22 million in capital assets, I wouldn't be worried about a $2 million deficit. I would certainly look to someplace where I could cut some funds, but not just to cut them arbitrarily at 5 or 10 percent overall.

Mr. CARPER. Let me just interrupt. I only have a couple of minutes, Mr. McKinney. Let me just say if you were a businessman and you continued year after year to spend $1 and only raised about 75 cents in revenues and sales, you wouldn't find many people who would continue to loan you money so you could stay in business.

However, I appreciate your comments, and what I think you are saying in answer to my question is you would look for some stretch-outs in procurements. Is that what you are saying?

Sergeant Major McKINNEY. Yes.

Mr. CARPER. Mr. Bennett, could you add anything to this, please?

Mr. BENNETT. I can't answer for the Coast Guard, but I can say that in my conversations with Coast Guard throughout these months, they have always indicated a willingness to participate in the cutting program, as long as it doesn't cut muscle. I truly believe it is imperative that we examine priorities when we talk about Coast Guard, because almost any activity they have reflects into our daily lives.

Mr. CARPER. Again, in order to make a 5-percent reduction and try not to cut muscle, where would you suggest that we look?

Mr. BENNETT. I am a businessman; I would find out where I could get the money.

Mr. CARPER. I am sorry?

Mr. BENNETT. I am a businessman. I would find a place to get the money.

Mr. CARPER. To raise the money?

Mr. BENNETT. Yes, sir.

Mr. CARPER. And how would you do that?

Mr. BENNETT. I don't believe I am at liberty to say what I would do.

Mr. CARPER. Sure, go ahead.

Mr. BENNETT. I find in our own organization, when we have shortfalls of money somewhere, I don't tell my editor to cut down in publication of our magazine. I tell him I will find out where I can raise the money, and I get it for him.

Mr. Carper. And how would you recommend that we do that?

Mr. Bennett. Either through contributions or we always have taxes.

Mr. Carper. Fine. Thank you very much.

Thank you, Mr. Chairman.

Mr. Studds. The gentleman from Washington.

Mr. Miller. Mr. Bennett, taxes are one way. User fees on some of the nondefense but public safety services of the Coast Guard are another way. Would you rule that out of your search for additional revenues?

Mr. Bennett. No, sir. I wouldn't rule out user fees, but I think the contracting of services is another story, because when we are dealing with Coast Guard, the Coast Guard is subject to orders.

Mr. Miller. I am not talking about contracting.

Mr. Bennett. You talked about user fees. What was the other? User fees?

Mr. Miller. Yes.

Mr. Bennett. User fees, I think, would bear study.

Mr. Miller. We are running out of time. With this panel that has a defense orientation, I would like to just give you a chance to comment on the question the chairman asked earlier. Do any of you have opinions to offer on the possibility of transferring the Coast Guard into the Defense Department, the pros or cons of that?

Sergeant Major McKinney. I would say definitely no. The Department of Defense has been in existence for many years. We have never won a war since it has been in existence unless you want to count Granada, and I could have sent a Boy Scout troop in there to take that one.

Mr. Miller. I take it that is a vote of confidence in the Coast Guard and a vote of no confidence in the Department of Defense.

Sergeant Major McKinney. It has nothing to do with the Marine Corps, Mr. Miller. The Marine Corps is great. The Navy is great. The services are great. It is DOD.

Mr. Carper. If the gentleman from Washington would yield just a moment——

Mr. Miller. Yes.

Mr. Carper. I think there was also an endorsement there for the Boy Scouts.

Mr. Miller. Mr. Bennett or Captain Moody, did you want to comment on that?

Mr. Bennett. It is my opinion, as humble as it may be, that any thought of integrating the Coast Guard with any other service would not work, and I would not recommend it.

I think one thing we have to look at with the Coast Guard is this: They are a bunch of good guys and gals. We have gone with the Coast Guard for years, and every time there is a job to be done, whatever it be, whether it is a schedule to be met, a mission to be accomplished, we always turn to the Coast Guard and say do it, and they do. But we never say here is more money to do it with.

Captain Moody. I would generally concur. ROA had a resolution some time ago that did propose transfering the Coast Guard to the

Department of Defense. I personally disagreed with that, and, after considerable discussion, ROA dropped the resolution.

I am not sure that the Department of Transportation is the most logical place for the Coast Guard—you have the Department of the Treasury where the Coast Guard spent a good deal of its life. I would agree, however, that the Coast Guard would be lost in Defense.

Mr. **Miller**. Thank you, Mr. Chairman.

Mr. **Studds**. Gentlemen, I want to thank all of you and the people for whom you speak. You have done a great deal yourselves for the Coast Guard over the years when it was under assault by either the White House or the Congress or both, and I know that the Coast Guard appreciates that and so do we. I hope you will keep it up.

You might just prepare for the next round of questions. I assume that about 6 or 7 months from now you will be in here being asked to say how you would cut about 30 percent of the fat off on October 1, which of course, is the next step under Gramm-Rudman. So, that is your assignment now.

Never mind the 4.3 percent of the fat that has to be cut today. On October 1, somewhere between 20 and 30 percent will be cut. That is going to be an interesting exercise, and I wish you all the luck in the world in advising us. Actually, you don't have to advise us. We are irrelevant. We just sit here and watch it as you do, but we should have fun doing that together.

Thank you for all you have done, and I hope you will continue doing it. We appreciate it.

Mr. **Bennett**. Mr. Chairman, stay at the helm, please. You are doing a great job.

Mr. **Studds**. It is going to be reduced, this helm, by 4.3 percent. Thank you.

Panel 3 is Commodore Berman, Mr. Frohnhoefer, Mr. Shrock, and Mr. Schwartz, if you would please come forward. We will hear you in the order in which you appear beginning with Commodore Berman of the Coast Guard Auxiliary and past National Rear Commodore thereof.

Commodore Berman.

STATEMENT OF LEN BERMAN, PAST NATIONAL REAR COMMODORE, U.S. COAST GUARD AUXILIARY

Commodore **Berman**. Thank you very much, Mr. Chairman.

I am here from southern California and, in my private life, I am a builder and developer. I have had 21 years of service in the Coast Guard Auxiliary. I am here really to support the legislation for the use of the auxiliary, and that is my primary target.

I would also like to say that I am here very much in support of the Coast Guard as well, inasmuch as I have felt they have been in a catch-22 situation for a number of years now and had taken the position of the private salver substitute to augment their service. As a result of doing that, they placed themselves into a position where they, in my opinion, have jeopardized the relationship with their auxiliary.

I can only look at the record to show that the membership is down, the activity levels are down, the attitudes are down. My personal view and my personal discussions with many auxiliarists around the country have given me insight to what I feel the core of the problem is, and that core is that they are a highly trained group of people who spend a great deal of time being trained, who spend their own money upwards of $2,000 to outfit their vessels to do the job of towing. Aside from that, they are continuously going to school only to, in the last couple of years, have been able to sit out there and watch private salvers take over their jobs.

Now, that may be very good for a budget, but when I look at that budget and realize that out of $1.6 billion of Coast Guard money, this represents some $300,000 to $400,000 for the entire Nation and the Auxiliary's efforts in search and rescue, I would consider that a pittance sum for the services that they render.

We are talking about 8,100 vessels which are so equipped. We are talking about crews that are trained for years, and we are also talking now about discouraging these crews from performance and from membership, because it also reflects back on to the other cornerstone activities of the Coast Guard Auxiliary, that being public education and their courtesy marine examination program.

Aside from the decline in the membership, I am concerned. My 21 years of service makes me reflect on what this Nation looks to in their volunteer efforts and how they support the volunteers who go out and spend their money and their time to be qualified to perform for that volunteer service.

I believe that turning this over to the private sector is irresponsible in the sense that these people are not equipped to do the job. They just don't have the time to do it. There is not enough income coming from it because there is not that much going on unless they create it, and that is a worry that I am continuously concerned about.

I don't know if the members here are familiar with the boat crew seamanship training that the Coast Guard Auxiliary has to go through in order to qualify, but when they get through with this training and they finally are certified and then are asked to go out on these weekends and sometimes even during the week to tie up their vessel onto a buoy and wait all day, never taking a call—and they can't do anything else except sit there and wait—that this presents a tremendous problem for morale with the auxiliary.

The search and rescue program is the ice cream for the auxiliary. If you take away the search and rescue, you take away the heart of the auxiliary. I ask you, gentlemen, is that what the 81st Congress had in mind when they developed the Coast Guard Auxiliary and mandated it? I don't think so.

I made this trip all the way out here because I felt is was important enough. I think it is one of the last bastions of volunteerism of the highest level that this country has going for it. To do anything to disrupt it, to do anything to discourage it, would be hurting the Coast Guard and the American people.

[The following material was received after the hearing:]

Additional Statement of Len Berman

If, by political chance, the Towboat/Salvors manages to prevail, then wouldn't it stand to reason that the remaining two cornerstone C.G. Auxiliary programs could fall as well by using the same non-competitive arguments? For example:

In our Public Education program, our teachers are volunteers and are not paid for their services. Any handful of professional teachers could challenge Coast Guard policy, claiming 'unfair competition' and force them to withdraw from teaching boating safety courses.

Then, there is our Courtesy Marine Examination program. Should the organized Marine Surveyor groups take the Salvors lead, what argument could the Coast Guard provide to justify using their Auxiliary (volunteer) Examiners to compete with these private surveyors? After all, they could provide like services!

In other words, if your proposed Bill is not placed into law, I believe we will have provided the initial rationale to phase out the Coast Guard Auxiliary. I don't believe the private sector can or will effectively handle any of these boating safety programs; there's just not enough profit in it to sustain commercial interests. Either that, or the cost for their services will be so high, few will be able to afford it.

As for the Coast Guard, they will have relieved themselves of civilian obligations, and at the same time estranged themselves from the affection and esteem they have been held in by the American people for so long . . . another treasure lost. But, then again, that will be some time down the road, under some other Commandant, and a different Administration. Sorry for such blatant observations, but that's the way I see it coming down if we relax our vigil and do not see this Bill enacted now.

It is bad enough that our concept of morality has deteriorated to its present level. Should these privateers prevail, we will have sunk to a new low in government responsibility towards its citizens. Is that what this Congress is prepared to log in for its record? I pray not!

Mr. Chairman, I thank you very much for the time. I would like to take questions if you have any now.

[Prepared statement of Commodore Berman follows:]

PREPARED STATEMENT OF LEONARD BERMAN

Mr. Chairman and Members of the Subcommittee:

I am Leonard Berman, a member of the Coast Guard Auxiliary, and among the many elected and staff positions held over the past 21 years, I was the National Rear Commodore, Western Area, 1980 through 1982. In this capacity, I was privileged to be a member of the Auxiliary's National Executive Committee that reviewed Auxiliary programs, recommendations from our rank and file membership, as well as those proposed by the Coast Guard itself. While being involved with these high office responsibilities, I was still doing in what Auxilarists are supposed to be doing, regardless of offices held; that of actively being involved in our cornerstone activities, namely: Search and Rescue (SAR), Public Education and Courtesy Marine Examinations. Because of my direct participation in the Search and Rescue Operations of the Auxiliary, plus my exposure to members thoughout the country and their expressed concerns regarding present Coast Guard policy for Auxiliary rescue operations, I feel most qualified to offer my observations in support of this committee's proposed Bill, labeled Discussion Draft January 31, 1986, Sec. 9.

I would also like to take this opportunity to express my appreciation to Mr. Studds and Mr. Davis, along with others who may have worked on this Bill, for their sensitivity in recognizing the need for the changes put forth in Sec. 9 of this draft.

Some years before, and ever since the Coast Guard has updated their non-emergency assistance policy, making it official in 1983, the Coast Guard has limited Auxiliary Search and Rescue Operations.

This occurred shortly after funds ran out for support of the National Safe Boating Act of 1971 through 1978. It was thereafter that priorities nad changed placing Drug Interdiction, Fisheries and Boat People as the prime targets for their services. With limited funds to properly address their many other responsibilities as well, the course of least resistance was to limit its assistance to the recreational boating community. This is when they began to seek relief from the private sector. At that point, the Coast Guard believed that the Auxiliary, being a component of their service, would come under fire for "inappropriate competition" if they were to use them over private towing and salvage operators. Thus, the restraining of Auxiliary rescue operations.

As a result of this decision, and in spite of continuous boating industry growth, the Auxiliary membership and morale (largely due to these Coast Guard decisions) has been sliding downward each year. It is now at its lowest membership and support activity levels in all its cornerstone programs since 1970. I have personally experienced being a crew member on search and rescue duty, ordered to remain at the slip while Coast Guard Radio directed a private commercial salvor to a vessel in need of assistance. Our position to that of the distressed boat was no more than 30 minutes away. The salvor, I was told, arrived on scene some two hours later to meet a traumatized family. A further investigation revealed that the salvor was not licenced, was not insured for such duty, and had no apparent qualifications for being dispatched by the Coast Guard. In talking with my colleagues around the country, most of them have been experiencing similar curtailments and experiences while assigned to SAR duty.

The fact is that people join the Auxiliary, go through rigorous and continuous training just to assist the recreational boater when they are in need. To have to stand-by and watch the Coast Guard assign cases to commercial salvors, forcing non negotiable heavy costs on the boater is contrary to the ideals and principles for which they joined. Is it any wonder why we have slipped so badly?

The Auxiliary is the most proficient and cost effective official volunteer service this country has going for it. The Coast Guard could not meet its required obligations without them. Let's not continue to discourage them; they are a revered component of our society... a group to be cherished!

Our 16 million boaters, and some 60 million people who go boating each year should not be made victims of misguided policies established in the name of expediency, especially when these boaters are paying most of the taxes for recreationally related Coast Guard services; taxes that well cover the pittance cost of the Auxiliary volunteer rescue operations efforts.

As for the new breed of salvors that have grown out of this Coast Guard policy, I ask the following questions:

1. Are we to favor a relatively small number of private towing and salvage operators over millions of boaters?

2. Are we to bend the will of the Congress so as to appease these private businesses?

3. Are we to allow our citizens to be victimized while in distress, leaving them no choice accept to pay whatever these privateers feel the traffic will bear?

An archaic concept that boaters are all rich, does not equate to todays real world. In fact, 83% of todays boat owners are blue collar wage earners. These are the very same people who enjoy our national parks and the extended services of the Park Rangers and their volunteers. Among these services and their many duties, they also perform rescue operation as a public service. Then of course there is the Civil Air Patrol, the Ski Patrol Service, etc., etc. who also provide rescue services to the lost and stranded.

If the present Coast Guard policy of non-interference even for the Auxiliary is permitted to continue, we will legitimize, and thereafter establish by default, a "no choice" recreational boating salvor business whose only intention and interest is in how much profit they can make at the expense of traumatized boaters. This, in contrast to our congressionally mandated volunteer Coast Guard Auxiliary whose only devoted interest is in saving lives and property.

It is obvious that the Congress established the Coast Guard Auxiliary to provide, amongst other things, rescue assistance primarily for recreational boaters. This is evidenced by the fact that their very first purpose described in Title 14, sec. 822 of the U.S. Code is that Auxiliarists are to "promote safety and to effect rescues on and over the high seas and navigable waters."

If this requires further clarification and the separation of Auxiliary from Regular Coast Guard responsibilities in order to change the present position, then I feel it is the duty of this Body and the Congress at large to fulfill the intentions of their predecessors, and support the recommended changes put forth by this committee, without delay.

Mr. STUDDS. Thank you, sir.

We will finish with the panel and go next to Mr. Frohnhoefer of Sea Tow Services International, Inc., in Southold, NY. Mr. Frohnhoefer.

STATEMENT OF JOE FROHNHOEFER, PRESIDENT, SEA TOW SERVICES INTERNATIONAL, INC., SOUTHOLD, NY

Mr. FROHNHOEFER. Thank you, Mr. Chairman.

First of all, I would like to preface my statement by saying that we are 100 percent behind the U.S Coast Guard and the Coast Guard Auxiliary and that without them we would all be in rough shape. However, there is a little bit more to it than just what is on the surface. I will read my testimony.

Sea Tow Services International, Inc. consists of more than 25 owner/operator towing and salvage firms that are operating under a Sea Tow Service International trademark and licensing program.

It is our feeling that section 9 of the Coast Guard Authorization Act of 1986, if passed, will cause numerous problems as well as being contradictory to the regulations already set forth by the Commandant. If the Coast Guard Auxiliary were to be exempt from the regulations governing the Coast Guard, what would be gained?

The public is just starting to realize their responsibilities on the water. Safety awareness has been increased due to the fact that there is no longer a free ride out on the water. People are maintaining vessels better and carrying necessary safety equipment in fear that they will have to pay for a tow.

To allow the Coast Guard Auxiliary to provide free tows to disabled vessels will not only increase the number of calls again but will give a false sense of security to the public.

As we are all aware, the Coast Guard Auxiliary is not a true 24-hour-a-day, 365-days-a-year service. The volunteers have given of themselves very freely, and this is very commendable. However, these men and women have full-time jobs and other commitments which prohibit them from providing full-time service to the auxiliary. They earn their living and put their bread and butter on their tables from other walks of life and would be extremely upset should we, commercial towers and salvers, volunteer to do their jobs for free.

Towing and salvage is our livelihood. It puts bread and butter on our tables, and we are a proud group. If we are to remain in business, commercial firms must have the first right to answer calls for nonemergency assistance, and I will repeat that, first right. If the public is given a choice of free assistance or paying for assistance, which one do you think they will take? This will cause ambulance chasing and a negative atmosphere between the commercial sector and the Coast Guard Auxiliary. We do not wish to have this develop but would rather see a working together attitude further develop and have it thrive.

If section 9 of the proposed Coast Guard Authorization Act is passed, it will be in direct violation of the Coast Guard and governmental laws, codes, regulations, and operating procedures which state noninterference with the commercial sector. This could develop into a real contest with many towing and salvage firms going into bankruptcy.

Commercial towing and salvage firms have spent large sums of money to develop, equip, run, and maintain their businesses. Our vessels are specially designed and equipped for towing and salvage. They meet or exceed all Coast Guard requirements to be qualified firms. The vessels are manned with experienced, strong, healthy crews who have spent most of their time on the water and know every inch of bottom, tides, and characteristics of the area. Many of the men are former Coast Guard, Navy, harbor pilots, divers, paramedics, emergency medical technicians, and more. This is their life.

The average age of the Coast Guard Auxiliarist is above 50, and although many members are highly qualified, others are not for this type of situation that we handle. Their vessels do not meet Colreg requirements nor are they equipped with proper towing bits, lines, and fendering systems. The exposure to the Government is extremely high should damage be incurred by the auxiliarist's vessel or the vessel being towed. We have to pay for our own mistakes, gentlemen.

The fact also exists that when the Coast Guard and Coast Guard Auxiliary vessels are engaged in nonemergency assistance, they are not available for emergencies, and that is what they are intended for, and we want to see them continue to do that.

Section 11 of the proposed Coast Guard Authorization Act of 1986 is excellent, and it will only add quality control to the towing and salvage business. This refers to the licensing of operators under 26 feet. Having licensed operators will protect the public from the fly-by-night operations and will assist in the assurance of quality assistance. We wholeheartedly support this section for the licensing of operators.

We would also like to see it go a little further and see that insurance be required for all of the firms involved in this business.

Thank you very much, gentlemen.

Mr. STUDDS. Thank you, sir.

Mr. Shrock of the Great Lakes Prepaid Towing Association in Marblehead, OH.

STATEMENT OF NEIL SHROCK, PRESIDENT, GREAT LAKES PREPAID TOWING ASSOCIATION, MARBLEHEAD, OH

Mr. SHROCK. The Great Lakes Prepaid Towing Association consists of five separate tow boat companies which provide prepaid towing service on Lake St. Clair, the Detroit River, and the western end of Lake Erie. These towing companies were operating effectively and safely for a considerable time as separate individual operated companies.

In 1984, the companies decided to pool their resources and create a network for towing services. Although the companies continue to operate independently, the association provides added and more efficient protection to each member's customers by providing a larger area of coverage and assistance.

In 1982, Congress mandated to the U.S. Coast Guard that it minimize competition with private towing enterprises. Apparently, in response to the congressional mandate, on June 29, 1983, the Coast

Guard formulated Commandant Instruction 16101 setting forth the Coast Guard policy on nonemergency assistance.

The June 29, 1983 policy further provided that nonemergency towing would be referred to commercial firms. However, the policy defined emergency so broadly that virtually any case either was an emergency or the boat owner could convert the same into an emergency by waiting until after dark.

Our association would be virtually wiped out of business if the Coast Guard continued using this definition for emergency. Under the circumstances, we worked with local Coast Guard officials and officials in Washington to modify the Coast Guard definition of emergency and thereby modify the Coast Guard nonemergency assistance policy.

In 1984, Congress again saw the need to legislate regarding the Coast Guard providing services which could be performed by commercial enterprises. Section 14 of the Coast Guard Authorization Act of 1984 provides that the Coast Guard identify those functions and services presently performed by the Coast Guard personnel which are not inherently governmental in nature and which may be performed with equal effectiveness and at lower cost under contract to the private sector. Nonemergency towing is exactly this type of service.

In June 1985, the Coast Guard modified its policy on nonemergency assistance. Local commanders were given discretion to turn over late afternoon or dusk calls for assistance to commercial operators. This modification was consistent with the 1984 Authorization Act.

Under the 1985 policy, Coast Guard commanders should contact qualified commercial towing companies in nonemergency situations. However, in practice, our association members have seen no change in the Coast Guard policy regarding nonemergency assistance. Although the local commanders are given discretion to turn over nonemergency assistance calls to commercial operators, the calls are still being handled by the U.S. Coast Guard.

Moreover, there has been an increased intrusion into nonemergency towing operations. The Coast Guard is removing vessels from strands, salvaging vessels, and assisting vessels while at private marinas. These services should definitely be left to commercial towing and salvage services where such services are available.

The Coast Guard Authorization Act of 1986: its direct impact on towing operations. Congress has proposed changes in the Coast Guard Authorization Act of 1986 which directly impacts tow boat operators. The following summarizes our association's position relative to the items which directly impact our association.

Congress is now attempting to reverse its established policy of noncompetition with private enterprise. Section 5 of the January 31, 1986, discussion draft of the Coast Guard Authorization Act of 1986 requires the Secretary to establish a list of Coast Guard activities necessary to maintaining a logistics capability necessary to ensure the effective and timely performance of Coast Guard missions. If these activities include nonemergency towing, such would drastically impede our association's ability to compete.

We believe nonemergency towing should be directed to qualified commercial towing operators. Contracting with commercial towing enterprises for nonemergency towing was set forth in the Coast Guard Authorization Act of 1984 and the 1983 Coast Guard policy on nonemergency assistance. It is clear that the Coast Guard can maintain its effectiveness by providing emergency assistance and through training runs performed with Coast Guard personnel and Coast Guard vessels.

Congress also proposed the use of the Coast Guard Auxiliary in rendering aid to distressed persons, vessels, and aircraft. The purpose of this section is to exempt the auxiliary from the Coast Guard's recently updated nonemergency assistance policy. This is evident from the section-by-section analysis supplied with the proposed act.

Section 9 is an attempt by Congress to allow the auxiliary to compete with private enterprise when the Coast Guard cannot compete. Since the Coast Guard Auxiliary is designed to assist the Coast Guard in the performance if its functions, 14 USC 822, it should be limited to the same extent as the Coast Guard is limited. Otherwise, Congress is, in essence, authorizing the Coast Guard to compete indirectly with private towing companies. This should be stopped before it is allowed to begin.

The use of the Coast Guard Auxiliary for nonemergency towing is unfeasible and inappropriate, unfeasible because the Coast Guard Auxiliary is not equipped to handle such operations. The auxiliary vessels are not equipped to handle continued towing operations.

On the other hand, our association members have large and small commercial towing and salvage vessels well equipped to handle any towing or salvage operation. We are experienced seamen and tow boat operators.

The use of the Coast Guard Auxiliary is inappropriate because it would authorize direct competition with commercial towing enterprises.

We do not ask the Congress to curtail its assistance in life threatening situations. We only ask that the U.S. Coast Guard not compete with qualified tow boat operators in nonemergency situations or in towing vessels.

We require any proposed member of our association to be a qualified Coast Guard tow boat operator. We have seen too many nonqualified individuals establish towing companies. Therefore, we are in favor of section 11 of the proposed Coast Guard Authorization Act of 1986 whereby Congress intends to extend the licensing requirement to operators of commercial vessels that are 26 feet in length.

In conclusion, our association favors the licensing of commercial vessels under 26 feet in length. However, we oppose any legislation by Congress which would reverse its long-standing policy of noncompetition with private enterprise. Our objection includes legislation aimed at the use of the Coast Guard Auxiliary for nonemergency situations. Our members have proven themselves qualified to handle nonemergency assistance calls. We believe we can handle the nonemergency assistance situations and allow the Coast Guard and the auxiliary the opportunity to better utilize their resources in life threatening situations. Congress must not allow direct competition between private enterprise and the Coast Guard or the auxiliary. Thank you.

[Prepared statement of Mr. Shrock follows:]

PREPARED STATEMENT OF NEIL SHROCK

Background:

The Great Lakes Prepaid Towing Association consists of five (5) separate tow boat companies which provide prepaid towing service on Lake St. Clair, the Detroit River and the western end of Lake Erie. These towing companies were operating effectively and safely for a considerable time as separate individually operated companies. In 1984 the companies decided to pool their respective resources and create a network for towing services. Although the companies continue to operate independently, the Association provides added and more efficient protection to each members customers by providing a larger area of coverage and assistance.

In 1982 Congress mandated to the United States Coast Guard that it minimize competition with private towing enterprises. Section 113 of the Coast Guard Authorization Act of 1982 provides as follows:

> The Commandant of the Coast Guard shall review Coast Guard policies and procedures for towing and salvage of disabled vessels in order to further minimize the possibility of Coast Guard competition or interference with private towing activities or other commercial enterprise.

Apparently in response to the Congressional mandate, on June 29, 1983, the Coast Guard formulated COMDTINST 16101 setting forth the Coast Guard's policy on non-emergency assistance. That policy stated specifically:

> It remains Coast Guard policy to refrain from competition with qualified commercial sources of assistance.

The June 29, 1983 policy further provided that non-emergency towing would be referred to qualified commercial firms. However, the policy defined "emergency" so broadly that virtually any case either was an "emergency" or the boatowner could convert the same into an "emergency" by waiting until dark.

Our Association would be virtually out of business if the Coast Guard continued using this definition for "emergency". Under the circumstances, we worked with the local Coast Guard officials and officials in Washington to modify the Coast Guard definition of "emergency" and thereby modify the Coast Guard non-emergency assistance policy.

In 1984 Congress again saw the need to legislate regarding the Coast Guard providing services which could be performed by private commercial enterprises. Section 14 of the Coast Guard Authorization Act of 1984 provides that the Coast Guard identify those functions and services presently performed by the Coast Guard personnel which are not inherently governmental in nature and which may be performed with equal effectiveness and at lower cost under contract to the private sector. Non-emergency towing is exactly this type of service.

In June of 1985 the Coast Guard modified its policy on non-emergency assistance. Local Commanders were given discretion to turn over late afternoon or dusk calls for assistance to commercial operators. This modification was consistent with the 1984 Authorization Act.

Under the 1985 policy, Coast Guard Commanders should contact qualified commercial towing companies in non-emergency situations. However, in practice, our Association members have seen no change in the Coast Guard policy regarding non-emergency assistance. Although the local Commanders are given discretion to turn over non-emergency assistance calls to commercial operators, the calls are still being handled by the United States Coast Guard. Morever, there has been an increased intrusion into non-emergency towing operations. The Coast Guard is removing vessels from strands, salvaging vessels and assisting vessels while at private marinas. These services should definitely be left to commercial towing and salvage services, where such services are available.

COAST GUARD AUTHORIZATION ACT OF 1986

I. DIRECT IMPACT ON TOWING OPERATIONS

Congress has proposed changes in the Coast Guard Authorization Act of 1986 which directly impact tow boat operators. The following summarizes our Associations' position relative to the items which directly impact our Association.

Activities:

Congress is now attempting to reverse its established policy of non-competition with private enterprise. Section 5 of the January 31, 1986 discussion draft of the Coast Guard Authorization Act of 1986 requires the Secretary to establish a list of Coast Guard activities necessary to maintain a logistics capability necessary to insure the effective and timely performance of Coast Guard missions. If these activities include non-emergency towing, such would drastically impede our Association's ability to compete.

We believe non-emergency towing should be directed to qualified commercial towing operators. Contracting with commercial towing enterprises for non-emergency towing was set forth in the Coast Guard Authorization Act of 1984 and the 1983 Coast Guard policy on non-emergency assistance. It is clear that the Coast Guard can maintain its effectiveness by providing emergency assistance and through training runs performed with Coast Guard personnel and Coast Guard vessels.

Use of Auxiliary:

Congress has also proposed the use of the Coast Guard Auxiliary in rendering aid to distressed persons, vessels and aircraft. The purpose of this section is to exempt the Auxiliary from the Coast Guard's recently updated non-emergency assistance policy. This is evident from the Section by Section Analysis supplied with the proposed Act. Section 9 is an attempt by Congress to allow the Auxiliary to compete with private enterprise when the Coast Guard cannot compete. Since the Goast Guard Auxiliary is designed to assist the Coast Guard in the performance of its functions, 14 USC § 822, it should be limited to the same extent as the Coast Guard is limited. Otherwise, Congress is, in essence, authorizing the Coast Guard to compete indirectly with private towing companies. This should be stopped before it is allowed to begin.

The use of the Coast Guard Auxiliary for non-emergency towing is unfeasible and inappropriate. Unfeasible because the Coast Guard Auxiliary is not equipped to handle such operations. The Auxiliary vessels are not equipped to handle continued towing operations. On the other hand, our Association members have large and small commercial, towing and salvage vessels well-equipped to handle any towing or salvage operation. We are experienced seamen and tow boat operators.

The use of the Coast Guard Auxiliary is inappropriate because it would authorize direct competition with commercial towing enterprises. As previously stated, it has been the long-standing policy of the Congress and the Coast Guard to avoid competition in non-emergency situations where qualified tow boat operators are available.

We do not ask the Coast Guard to curtail its assistance in life-threatening situations. Emergency assistance has been and should continue to be the purview of the United States Coast Guard. We only ask that the United States Coast Guard not compete with qualified tow boat operators in non-emergency situations or in towing vessels.

Licensing:

We require any proposed member of our Association to be a qualified Coast Guard tow boat operator. We have seen too many non-qualified individuals establish towing companies. These non-qualified individuals generally cause more problems than the minimal assistance they provide boaters. This is particularly the case with the use of small vessels.

Under the circumstances, we have been in favor of licensing tow boats, including those under 26 feet. Said licensing will eliminate a large number of the "fly-by-night" operators and provide more opportunity for qualified towing companies. The reputation of our industry as a whole suffers when non-experienced and non-qualified towing companies begin operation.

Therefore, we are in favor of Section 11 of the proposed Coast Guard Authorization Act of 1986 whereby Congress intends to extend the licensing requirement to operators of commercial vessels less than 26 feet in length.

II. FURTHER CONSIDERATION OF COAST GUARD AUTHORIZATION ACT OF 1986

Although Section 8 of the Coast Guard Authorization Act of 1986 does not directly impact upon our Association, we do not favor its passage. The Section authorizes the payment of interest in the event the Coast Guard fails to pay a reimbursement claim by its Auxiliary within sixty (60) days. Such a limited time frame does not allow the Coast Guard the opportunity to fully investigate claims for reimbursement.

CONCLUSION

Our Association favors the licensing of commerical vessels under 26 feet in length. However, we oppose any legislation by Congress which would reverse its long standing policy of non-competition with private enterprise. Our objection includes legislation aimed at the use of the Coast Guard Auxiliary for non-emergency situations. Our members have proven themselves qualified to handle non-emergency assistance calls. We believe we can handle the non-emergency assistance situations and allow the Coast Guard and the Auxiliary the opportunity to better utilize their resources in life threatening situations. Congress must not allow direct competition between private enterprise and the Coast Guard or the Auxiliary.

Mr. **Studds**. Thank you, sir.

Mr. Schwartz, welcome back from the Boat Owners Association.

STATEMENT OF RICHARD SCHWARTZ, PRESIDENT, BOAT OWNERS ASSOCIATION OF THE UNITED STATES

Mr. **Schwartz**. Thank you, Mr. Chairman.

I am Richard Schwartz of the Boat Owners Association of the United States. We now have 200,000 members in our organization. I feel I am speaking for most of the recreational boat owners in this country.

I would first like to open up by saying that we perhaps have the greatest self-funding safety effort going on in this country today in the recreational boating field. Where else do you find a governmental function that is almost fully funded by the people for whom the function was designed to protect.

There are really two parts to this. The first part is the Coast Guard Auxiliary which, as Mr. Berman eloquently said, is a volunteer organization costing the Government almost nothing, a very negligible amount of money, $6 million which, as I will explain later, is covered by our own gas fuel tax fund. It is a group of volunteers who are contributing 8,000 boats to the safety effort on the waterways.

They are relieving the Coast Guard or have the capability of relieving the Coast Guard of a great deal, if not the majority, of their SAR effort with regard to recreational boats, and they have the ability and are currently engaged in the safety education of boat owners to an extent that the Coast Guard could never hope to approach and has never ever approached. In addition, they are carrying on a safety inspection program of boats known as "Courtesy Marine Examinations."

This is all on a volunteer effort, all costing the Coast Guard absolutely nothing—well, $6 million, a negligible amount covered by boat owners' own funds.

The second prong of this effort is the gas fuel tax trust fund which is being supported by money paid by boat owners for highway gas taxes and which would ordinarily be entitled to refund for off-highway use, but which now has been put by this committee and Congress into a trust fund to self-fund safety efforts on behalf of boating and to relieve the Coast Guard almost entirely of their recreational boating safety obligations.

Right at the moment, the Coast Guard is committing about $12.3 million in toto to safety efforts or to efforts regarding recreational boating. As part of this, $6 million is being devoted to the Coast Guard Auxiliary, again, a very small fraction of the billions of dollars in the total Coast Guard budget.

Now, almost all of this is being covered today by money from the gas fuel tax fund. As you know, out of the $45 million that is going toward boating——

Incidentally, the fund is acknowledged by the Government to be bringing in about $75 million as of today. However, we suspect it is bringing in very much more than $75 million, and I might remind the committee that the committee asked the Treasury Department to come up with an allocation of gas taxes attributable to recreational boating. I think that request was made in 1980 for a report in 1982, and the report still has not been issued.

When it is issued, I think we will find that there is even more than $75 million attributable to gas tax collections from recreational boat owners today.

Of the $75 million, $45 million is being earmarked for boating. Of that, $15 million is going directly to the Coast Guard for its safety efforts. As I said, that just about covers 90 percent of the money that they are now budgeting and putting in toward recreational boating.

And the rest of it is going to the States to take over the safety efforts, education, enforcement, and SAR efforts that are now being given up, in effect, by the Coast Guard due to its financial crunch and the necessity to cut back. And, of course, the Coast Guard has as of now made recreational boating one of its lowest priorities, a matter that has been of great concern for years to all of us and to the members of this committee. However, through the gas tax trust fund, we are able now to take care of ourselves for the most part.

That also, then, brings up the user fee question. We are now paying a user fee. The gas tax is a user fee. That user fee is being put into a trust fund. As was suggested, that trust fund is being used to support efforts that will almost totally relieve the Coast Guard of its net outlay on behalf of recreational boating.

I want to make another point before I close, and that is we are all for anybody who will help our people on the waterways, including commercial companies. However, the history as of this time has not been one in favor of the commercials.

The commercial people are in to make this business a profit. We have substantial doubt that this can be a profitable business. Our boats are strung for tens of thousands of miles along the waterways, and we don't think these can be adequately covered by commercial people, plus the vagaries, the ups and downs of the costs of running commercial boats, plus the fact that most commercial boats are multipurpose boats and actually geared for major commercial tows and involve tremendous overkill and expense to pull in a small recreational boat.

As a result, it would be a tragedy to allow the Coast Guard, and especially the Coast Guard Auxiliary, to lose its capabilities in favor of commercial towers who may not be there in future years. We have some serious question whether we can count on them in future years in spite of their very good intentions at this time. Certainly, the history has shown a very erratic life for commercial towers.

Thank you, Mr. Chairman. I will be happy to answer questions.

[Prepared statement of Mr. Schwartz follows:]

PREPARED STATEMENT OF RICHARD SCHWARTZ

Mr. Chairman and Members of the Subcommittee:

I am Richard Schwartz, President of Boat Owners Association of The United States (BOAT/U.S.). With nearly 200,000 members from all 50 states, BOAT/U.S. is the largest national organization of individual boat owners in the country. We appreciate the opportunity to appear once again before this Subcommittee. We particularly welcome the opportunity to express our strong support for your Coast Guard authorization bill as it contains a number of important provisions which we believe will not only improve boating safety, but do so without draining the federal treasury.

Key among these provisions is Section 9 directing the Commandant to make full use of the Coast Guard Auxiliary in rendering assistance to vessels in distress.

Mr. Chairman, for the past few years we have witnessed the constant budgetary seige under which the Coast Guard has been forced to operate. Year after year it seems that this valuable national resource is put on the frying pan only to be saved from the fire at the last moment by members of this Committee and other leaders of Congress.

While we certainly take hope from Admiral Gracey's testimony before this Subcommittee earlier this month when he pledged that "there will always be a Coast Guard to serve this nation," we are concerned, to use his own ords, that "it may be in fewer locations with fewer people and resources." The constant budgetary barrage and whittling down of the Coast Guard over the past few years has taken its toll.

The Coast Guard's premier mission, search and rescue, clearly has been squeezed both by the budget and new emphasis on drug interdiction, military preparedness and law enforcement. Seventeen percent fewer search and rescue cases were handled in 1985 than in 1980, from a high of 73,345 in 1980 to 60,742 in 1985. Given the realities of Gramm/Rudman/Hollings and based on what Admiral Gracey had to say earlier this month, we suspect that the search and rescue trend will continue downward.

What can be done to ensure that the Coast Guard has sufficient search and rescue resources under its control to respond to emergencies? Section 9 of your bill is the answer. It will loosen the leash on the Coast Guard Auxiliary and allow its 30,000 volunteer civilian boat owners to fully augment the Coast Guard. We strongly support this change.

Mr. Chairman, in June of 1983 the Commandant issued new instructions to USCG personnel requiring them to turn first to commercial salvors in non-emergency cases. If a boater in an apparent non-emergency situation needed help, the Coast Guard was to inquire first if he had a contract with a commercial firm and if the caller did not, Coast Guard personnel were to contact commercial firms to see if they could respond in a reasonable time.

Since this change in Coast Guard policy, the Coast Guard Auxiliary, which had been doing upwards of 25% of the USCG's search and rescue sorties, is now doing drastically less.

Persons assisted by the Auxiliary has dropped from 52,342 in 1983 to 33,631 in 1985, a 36% decline; the number of assists to the public has dropped from 16,356 in 1983 to 11,711, a 28% decline; the number of safety patrols has dropped from 33,701 in 1983 to 28,166 in 1985, a 16% decline; and the number of lives saved has dropped from 926 in 1983 to 428 in 1985, a 54% decline. During this same period, Auxiliary membership has declined from 33,916 to 30,818, nearly a 10% decline.

Mr. Chairman, while we cannot prove that there is a direct correlation between declining Auxiliary operations and membership and this 1983 change in Coast Guard policy, we do know that Auxiliarists are ready, willing and able to help their fellow boaters - that's the reason they join the Auxiliary - and are now discouraged and dismayed over the existing restrictions.

Some say that the Coast Guard should not compete with commercial salvors on non-emergency cases. We believe that the Commandant's June 1983 directive provides a workable policy for both regular Coast Guard units and commercial salvors. But, we do not think it is good public policy to restrict the Auxiliary from helping, especially when the Coast Guard is being forced to do less - in favor of adding some marginal business for commercial salvors.

It's bad public policy because there are only a handful of commercial salvors on the water who have any interest in assisting recreational boaters on a full-time basis. Of these, how many are going to be in business from one season to the next? How many are on call 24 hours a day and are willing to go out for a couple of hundred dollars when their vessels cost considerably more to operate profitably. How many are expert in handling small craft rather than big ships? Who will the distressed boater rely on when the budget crunch forces the Coast Guard to reduce its response capability?

If commercial assistance is available and is able to respond in a reasonable time then they, too, should be considered as an additional resource along with the Coast Guard Auxiliary and the state marine police. The Coast Guard should not, however, be in the business of acting as a dispatcher whose first requirement in a non-emergency case is to call some commercial salvage operation when Auxiliarists are standing by ready to assist.

The Auxiliary, I should point out, is an extraordinarily cost-effective resource. Out of a total USCG budget of nearly $2.5 billion, the Auxiliary costs a mere $6.5 million - some two-tenths of one percent of the USCG budget. Furthermore, Coast Guard Auxiliary operations are entirely compensated for by the fuel taxes paid by boaters of this country. Some $15 million is specifically allocated to the Coast Guard under Public Law 98-369 for the Auxiliary and boating safety.

Mr. Chairman, we have heard much from the Administration over the past few years about the need for more "volunteerism." We also know how strapped the Coast Guard's budget is now and what may become of it in the future. The Coast Guard Auxiliary together with the states can do more to help the Coast Guard accomplish its mission of saving lives and those in distress. We urge you to approve Section 9 and allow those dedicated to boating safety to get on with the job.

Before I move off this subject let me say that we strongly support Section 11 of the bill requiring that all commercial vessels engaged in towing be licensed. Individuals operating towing vessels over 26 feet already must prove their competency to the Coast Guard. We believe that no less should be required of those operating smaller vessels. If they are going to get into the business of saving lives and property, then they should be able to pass minimum standards set by the Coast Guard.

My final comment on the authorization bill concerns Section 12, which requires that from one to two percent of the appropriated amounts of the Boating Safety Trust Fund be used to administer the Coast Guard's state recreational boating safety program.

We fully endorse this provision and believe that the states feel the same way, even though they stand to lose a few hundred thousand dollars per year. We all agree that this provision is necessary because we all want an effective program and because we know that the few billets that the Coast Guard has allocated to this program are barely sufficient to administer it properly. If the Coast Guard is unwilling or unable to provide the necessary manpower, then let us fund these positions out of our own excise tax dollars just as has been done in many other federal/state cooperative programs, including Dingell-Johnson.

Before closing, Mr. Chairman, I want to comment on the Administration's proposal to change our Boating Trust Fund's authorization by reversing the current formula of $30 million for state boating safety programs and $15 million for the Coast Guard.

Shifting $15 million from the states to the Coast Guard's budget will not help the Coast Guard. It will not result in an additional $15 million for USCG operating expenditures. If this proposal is approved, OMB will simply subtract $15 million from the USCG budget leaving the Coast Guard as cash-starved as it was before OMB got involved. The states, on the other hand, will use these funds to expand their boating safety operations thereby augmenting diminished Coast Guard resources.

For these reasons, Mr. Chairman, we suggest that this proposal is nothing more than a shell game and we urge that this Subcommittee not be a willing party to it unless the budget process actually forces you to do so. In this event, you should look to temporary, not permanent changes, and we should also consider capturing more of the fuel tax dollars paid by boaters for deposit in the Boating Trust Fund.

On behalf of our Association members, I want to thank you, Mr. Chairman, for again providing us the opportunity to express our concerns. I will be happy to respond to any questions.

Mr. **Studds**. Thank you, sir.

Let me just make an observation first, if I may, on a subject that has dominated your testimony and I am sure will dominate that of the following panel. That is the whole question of the towing issue and the difficulty of developing a fair policy to govern nonemergency assistance. That difficulty lies in a number of factors.

It is complicated by the fact that five different perspectives have to be considered, that of the boater in distress, that of the Coast Guard, that of the Coast Guard Auxiliary, that of private towing firms, and, finally, that of the Federal taxpayer. It is made more difficult by the inherent subjectivity of determining whether or not a call for assistance is or is not an emergency.

It becomes more confusing because the Coast Guard's implementation of its policy varies from district to district, because the presence of the auxiliary itself varies from area to area, and because although there may not be enough commercial towing firms in some areas, there may well be too many in others.

I do not think any policy is going to be perfect, either on paper or on the water, but it does seem to me we have to do the best we can to come up with a policy that is as fair as possible to as many as possible and that will be implemented in a reasonably clear and consistent manner by the Coast Guard. That is what we are trying to do, and it is in that effort that we appreciate the help of all of you from the various perspectives that you bring.

Mr. Berman, I appreciate your testimony and, as you know, I introduced the bill for which you express support. But there are a couple of things in your statement that I would like to clarify.

On page 4, you refer to private towing companies as privateers whose "only interest is in how much profit they can make at the expense of traumatized boaters." Is there a possibility that, as you reflect on that, it is a little bit unfair? Do you think there is anything inherently wrong with seeking to make a living in the private towing business? And would you use the same language to describe the owner of a service station towing truck?

Commodore **Berman**. I don't think the same thing applies, that the same parallel is there. I think the difference between a boater being out on the water and inexperienced in water conditions and with a family equally traumatized by just the presence of being in a hostile environment is one to behold when we have gone out and done rescue work for these people, these families. These families don't know that they are not in distress. They may be sitting in the middle of the ocean there at 3 o'clock, and at 4 o'clock it is a 6-foot sea.

But the Coast Guard in San Diego in my particular case doesn't know what is happening up at Point Fuhrman, 200 miles away. And that is part of the problem.

Now, there may be instances, as you say, throughout the country, where the salvage operations or the towing operations could work effectively, but I think it is rare. Any time you get a family involved in a hostile situation such as being on the water, something unfamiliar to them, no matter how familiar you want to make them and no matter how much you want to give them public education or marine inspections, as we do, you are still going to have the boater who is out there on the weekend who doesn't comprehend what you are saying, for the most part.

That is evidenced by the fact that out of 16 million boaters who are in this country, we do courtesy marine examinations to the extent of perhaps a couple of hundred thousand or a little more per year. That doesn't even come close to touching the 16 million out there.

So, a recreational weekend boater is a danger, not only to himself but to his family. If they get seasick on board, they don't know that they are not in distress. I am sure members of this panel have gotten seasick. Can you say you weren't in distress when you got seasick?

That is exactly what goes on, and the callousness that has come about as a result of trying to satisfy the salver condition is remarkable to me, truly.

Mr. Studds. In other words, on charitable reflection, you don't take back those words.

Commodore Berman. Absolutely not, and I have experienced it first-hand, sir.

Mr. Studds. OK. Do you have any evidence to indicate that the decline in the enrollment in the auxiliary is due to the change in towing policy?

Commodore Berman. Yes. I am sitting here right now with two publications out of hundreds of them throughout the country. These are latest publications of Coast Guard Auxiliary divisions and districts where the commodore of the district and staff officers at the national level are complaining about the morale and the numbers that are being decreased and are very concerned about it right here, sir.

Mr. Studds. I am tempted to prolong this, but I think I had better not.

Let me go to Mr. Shrock and, Mr. Frohnhoefer, you probably want to comment on this after he does. With respect to section 9 of the bill, you say that it would be unfeasible to use the Coast Guard Auxiliary for nonemergency towing because the auxiliary is "not equipped to handled such situations." I have two questions about that for you, sir.

First, do you see anything in our bill or in the explanation of the bill that would require or encourage the use of auxiliary units that are not qualified for the particular job involved? Doesn't the bill specifically refer to "qualified" units of the auxiliary? And, in your experience, has the Coast Guard made a habit of sending unqualified auxiliary units in response to calls for help?

Mr. Shrock. Yes. Our concern is that a Coast Guard Auxiliary boat is basically the same type of boat that we go out and tow in. These boats, basically, to our knowledge, are not specifically designed to extend to heavy towing loads that a recreational vessel puts on a boat. Their boats do not have any engine modifications, no haul design, no structure designs to withstand heavy towing loads, as we see them.

Mr. Studds. Second, you state at the end of your testimony that you would like to handle the nonemergency situations "and allow the Coast Guard and the auxiliary the opportunity to better utilize their resources in life threatening situations." Why do you think the Coast Guard Auxiliary is suited to respond to calls for help in emergency situations when it is not suited to respond in nonemergency cases?

Mr. Shrock. There again, when they are out on emergency situations, they could be better utilized for searching and more for their educational programs than they are for the actual towing, because when they are towing, they are not being available for emergency situations.

Mr. Studds. Mr. Frohnhoefer, would you like to respond to that as well or comment on that?

Mr. Frohnhoefer. Yes, I would. There are a number of things that strike me right away. No. 1, the Coast Guard Auxiliary—I don't know too many people who would take a Sampson post or special protection bar for towing across the back of the boat and put it on their Hatteras and go out on the weekend and use that.

We face a number of problems as commercial towers. We have to meet standards that the Coast Guard sets forth. We have to meet what they call COLREGS which are the regulations for lights and so on and so forth. We have all of these things on our vessels. The auxiliary does not necessarily have that. Some of them may, but most do not.

We pride ourselves in what we do, and we try to maintain our vessels and our equipment with pumps, generators, all the equipment that is necessary to do the job. We can respond most of the time faster than the Coast Guard itself to a situation because of the distance of the stations.

If we cannot, however, and you should understand this, we will definitely at that time decline a call if there is an auxiliary vessel in the area and give it to the auxiliary and say listen, guys, there is no reason for us to charge the public $60 an hour to get to them when it is going to take us 45 minutes to an hour if an auxiliary vessel is standing next to them. That we do not see.

However, if a vessel is safe and it does not need immediate assistance, we feel that we should have the first shot at it as a commercial firm.

Mr. Studds. In other words, if I understand you correctly, you differ from your colleague at least in conceding the ability of the auxiliary to conduct such an operation.

Mr. Frohnhoefer. The auxiliary can conduct certain operations. We have towed in auxiliary vessels and, by the way, we do it for free. We work very closely with the auxiliary. We do not feel that auxiliary vessels are equipped to handle the job of salvage or of towing.

When you are towing a vessel in and it starts to sink, what do you do if you don't have the proper pumps and the proper equipment?

Mr. Studds. Mr. Schwartz, I was going to ask——

Mr. Schwartz. Mr. Chairman?

Mr. Studds. I was going to ask you something. You can chip in if you want. I was going to ask you, Mr. Schwartz, to describe the qualifications of Coast Guard Auxiliary members to provide towing assistance which is very much in question here in nonemergency situations. There is not, after all, any requirement that units of the auxiliary be licensed. They don't carry insurance. Can they be trusted to do that job?

Mr. Berman. Are you talking to me, sir?

Mr. Studds. That was for Mr. Schwartz, but I have a feeling you might want to say something also.

Mr. Schwartz. I am sorry. I didn't hear all the question.

Mr. Studds. Let me start with—Mr. Berman, are you dying to get in on that one?

Commodore Berman. I would like to, sir.

Mr. Studds. I had that impression. I will come back to you, Mr. Schwartz.

Commodore Berman. OK. For one thing, the auxiliary vessels are all inspected by the Coast Guard. They are given certain requirements that they must bring the vessel up to in order for it to begin to be eligible for search and rescue work. As I said before, this is upward of $2,000 worth of renovation to the vessel in order to make that possible.

Second, though, he talks about Sampson posts and other things like this. The recreational boater who may be out there, as he says, in his Hatteras, has two big cleats on the stern of this thing that he puts a bridle on. This bridle acts as a Sampson post to take in a recreational boat. They aren't going out there to rescue submarines. They are going out there just to get in the guy who is seasick, who has a problem, with his family, and his kids are crying, and he doesn't want to wait 2 hours or 10 hours for some salver to show up who said he is on-scene but doesn't show up for 3 hours later.

That is the thing that this has to reckon with. Also, the fact that it can't be profitable to a true salver, one who is in that business, because he could never make enough out of one boat towing in at 5 or 6 knots, at best, to tow in for 40 or 50 miles. That is a day's shot. The guy has to charge an outrageous amount of money for this. What is the little recreational boater doing out there with his 18- or 20-footer who has to pay the tab on this thing? That is absurd.

That is what you are asking the American public and the boating public to do. You are not, but——

Mr. Studds. Mr. Schwartz, it is your turn.

Mr. Schwartz. Mr. Chairman, I would like to pick up on another statement. He said he has no objection to an auxiliary boat picking up a fellow boat owner. Why should they pay a commercial boat $60, $70, actually $100, $200, or $300 in many cases? I don't understand, then, why they are not in favor of section 9.

I totally agree with one part of his statement that if there is an auxiliary boat available, a free auxiliary boat available being donated by a fellow boat owner who not only is willing but desires to help his fellow boat owner by pulling him in, why should we force the boat owner—in effect, by putting a lock and chain on this auxiliary boat owner who is sitting right there—force the boat owner to pay $300 or whatever it might be and sit and wait for a commercial tow?

He started to say that and then drew some distinction that I didn't fully understand, that doesn't make any sense to us.

And it doesn't make any sense to the co-boat owners, the colleagues who are out there volunteering to do this for the boat owners. For the Government and the Coast Guard to say you can't do this and, yet, we still want you to carry on education courses, to inspect boats, we want you to carry on our entire safety effort that we are really responsible for—it is one of the Coast Guard's mandates—and then to turn around and say, but to go out and tow these same boats, you can't.

These are trained people. As Mr. Berman has so well said, these are very highly trained people. The Coast Guard Auxiliary itself is very organized and does not allow untrained people to go out there to engage in search and rescue missions.

Mr. **Studds**. The gentleman from Delaware.

Mr. **Carper**. Thank you, Mr. Chairman.

I want to thank each of the members of this panel for joining us today, too. I have really two questions.

First of all, I have a question that just came up at one of my town meetings 2 weeks ago. The question was asked by someone in attendance who said you know, if I am driving here in Delaware and my car breaks down, whether it is at night, whether it is in the daytime, whether it is in a rainfall or whether it is a sunny day or whether it is in a snow storm, I don't expect the Federal Government or, for that matter, the State or local government to come and tow me in. If my family is out there freezing or getting wet, that is our obligation to make sure we get our car towed into a garage or service station.

By the same token, if my neighbor who has a sailboat or a motorboat goes out into the ocean and has a similar problem in the operation of that vessel, that person can count on being towed in, maybe at the expense of the Federal taxpayers or State taxpayers. And the person at my town meeting said that doesn't seem quite fair to me. I think that person should pay the bill when he is being towed from the ocean just as I pay the bill.

Let me start with Mr. Schwartz and just ask you to comment on the observation of that one Delawarian.

Mr. **Schwartz**. First of all, usually a breakdown of a car does not involve critical danger to the parties involved. It is inconvenience for an hour or 2 hours, perhaps.

Second of all, generally, there are plenty of facilities available within a short distance, very convenient, with set rates. As a matter of fact, in many States, it is controlled now as to what towing charges are.

This is totally different out on the water. We have an environment which, if it is not dangerous at 4 in the afternoon when the Sun is out, certainly after dark out there on the waterway it will become very dangerous. And we are now talking about life; we are not talking about inconvenience or somebody getting a little cold.

Third of all, there aren't convenient people around to go pull these people in. Even commercial towers, as much as they wish this authority, will find themselves at great distances from people who need help. We need everybody we can get out there that is close and willing to help.

Incidentally, you are going to find many more auxiliarists of which there are, as we heard——

Mr. **Carper**. Mr. Schwartz, let me interrupt. I don't think the person was arguing that we should do away with the Coast Guard or the Coast Guard Auxiliary. What I think this person was arguing was that whoever receives the benefit of those services should at least pay for part of it. That was the contention, the one I would like you to address your comments to.

Mr. **Schwartz**. Except in this case, we have volunteers out there. If we had a volunteer corps of automobiles out there ready to help other owners without cost, I don't think we ought to deny them that ability to do that because there are gas stations waiting to charge them $50 to do that, to extend your analogy. We have these people out there covering the waterways quite adequately.

What the towers are trying to do is say hold these people back. Don't let these volunteers do this. And we don't have anything like this comparable in automobiles. Plus, the necessity to get into action fast is much more critical out there on the waterways than it is on the roadside.

Mr. **Carper**. Thank you.

Mr. Shrock, do you have anything you would like to add to that?

Mr. **Shrock**. Yes. These are people out there on these boats, and they put a little more money into them than an ordinary car. And we feel that the boat owner can afford this.

Also, our organization goes back 5 years from 1980 to the present. Of all the nonemergency cases we have handled, we have never heard of anyone on the Great Lakes in our area that resulted in a death or there was a life threatening situation waiting for commercial assistance. Also, our vessels run approximately 18 to 24 miles per hour to the scene. As many cases as we handle, we could literally not let these vessels stand back and wait 2 or 3 hours for a tow.

Mr. **Carper**. Let me ask a different question. This is a question on how do you price services? That is a question that I would like to ask Mr. Frohnhoefer. How do you go about pricing services? If I am a guy who owns a service station and Mr. Schwartz has one and the commodore has one and we let some competitive forces work, it helps us set the rate. How do you go about pricing your services?

Mr. **Frohnhoefer**. There is an association called the American Automobile Association or AAA on the road. That is the person usually called by someone who breaks down with a car or a local gas station.

We are extremely similar to the AAA. We are the AAA of the waterways. If you are a member either $95, $120, or $150, it is totally free, and that is up and down the entire east coast. We charge you nothing to tow you in. So, a person who has a $5 million boat or even a $200,000 boat or even a $12,000 boat, for $95 or $150 at the most, they can be towed in up and down the entire coast for free, if they are a member.

Mr. **Carper**. Is that an annual fee?

Mr. **Frohnhoefer**. That is an annual fee. That is basically how we do it. Otherwise, we have set fees and advertised fees. If they are not members, it ranges anywhere from $50 an hour to $150 an hour, depending upon the difficulty of the situation, if it is in the ocean, and the equipment used.

Our vessels, I would like to add to Neil's comment, also respond at approximately 40 knots if the water is right for it. If not, we respond at the proper speed. However, we can take and tow a vessel in, the 18-foot or 26-foot boat, at approximately 12 to 15 knots, and the Coast Guard also tows at that speed. We have been with them. We have done, I would say, a number of calls for the Coast Guard, and it is amazing to see that, I would say, about 75 percent of our calls are after 6 in the evening when the Coast Guard Auxiliary has gone home.

Mr. Carper. Thank you very much.

Thank you, Mr. Chairman.

Mr. Studds. Thank you, gentlemen.

Because of the vote on the floor, the subcommittee will suspend for approximately 10 minutes. We will resume 10 minutes from now.

Thank you all very much. We appreciate it.

[Recess.]

Mr. Studds. The subcommittee will resume with panel 4: Mr. Boyce, Mr. Dupee, Mr. Andrews, and Mr. Peregoy.

Again, I would ask everyone to respect the need for brevity. Of course, those rules don't apply to anybody from southeastern Massachusetts.

Mr. Boyce of the Woods Hole Towing Co.

STATEMENT OF JIM BOYCE, PRESIDENT, WOODS HOLE TOWING CO., WOODS HOLE, MA

Mr. Boyce. Thank you. Thank you for having us again. I will try to keep it brief.

Mr. Studds. That is quite all right. You have all day. You are from my area.

Mr. Boyce. I have all day, OK.

We have been in business for about 2½ years. We have a big boat and a small boat. We not only tow yachts, we tow fishing boats, and we came down to speak to the Congress because you don't get a chance to do it too often, and we are glad to be here.

I think everyone has covered all the parts here. I think really the question is: Is the Coast Guard Auxiliary truly voluntary when their food, fuel, and insurance is covered by the Government? The other question is: What is appropriate and qualified? Really, that is the question.

I don't think we have any question about whether or not the auxiliary should be out there helping people when they are in need. We are glad to have them. We have worked with them. We have had them take people off the boats that we have towed in when the family was upset and the 2 was going to take 2 hours. We have had them take upset people off the boat where the father was glad to still be there and the mother and kids wanted to go home. They brought the mother and kids in and they went off on their way. We are glad to have them out there just for that reason.

We also have another fellow at the end of the canal on the Cape Cod Bay side where there are no commercial people who is in the auxiliary. He must love his work. He is on the air from 6:00 in the morning until sometimes 12:00 at night searching for people, pulling people off the beach, and working directly with the Coast

Guard. He does a great job. I haven't had a chance to meet him yet, but I would like to.

We have a lot of competition from different governments, not only the Federal, but the State. We have harbor masters who are taking our work. We have Coast Guard people who are taking our work, and we have very few Coast Guard Auxiliary, I think, who are taking our work in our area. We have talked to other people where that is not the case, where the auxiliary is very active, and they are taking work.

That is what we want. We want work. We are a small business. We believe that is what this country was built on, and we should have the freedom to have our businesses without competition from our Government.

I was in the Coast Guard. I enjoyed my time in there. I have a 14-year-old son who wants to go into the Coast Guard, and my wife, when I am out there at night towing in the fishing boats, loves the Coast Guard.

That is my statement. Thank you.

[Prepared statement of Mr. Boyce follows:]

Prepared Statement of Jim Boyce

Dear Sirs:

Thank you for your invitation, we appreciate the chance to air our opinions and observations on Coast Guard Operations issues - specifically the Non-Emergency Assistance Policy and Section 11 License for Commercial Towing.

In 1983 The Woods Hole Towing Co., Inc. purchased equipment and vessels to perform Non-Emergency Search and Rescue towing. We did this because of the new (in 1983) Coast Guard directive pertaining to commercial Non-Emergency towing. We hoped to use our new equipment in this field for a percentage of our income - not looking to this directive as a sole means of support, but more as a "Bread and Butter" situation.

Since that time this Non-Emergency towing has become a staple of our income and has lead us into the salvage field. We have worked together with the Coast Guard in most of our jobs to service commercial and recreational boaters.

We generally relieve CG 85' vessels from offshore fishing vessel tows at sea. These tows range from 50' - 145' commercial draggers, towing them into the port of New Bedford with our 65' tug.

We also assist the pleasure craft fleet during the season in our area with our 26' towboat, designed and built especially for yacht towing. We presently employ up to 10 people in peak season.

NON-EMERGENCY TOWING AND COAST GUARD LICENSING

We agree with the present Coast Guard policy on Non-Emergency Search and Rescue towing and trust you will not make any changes as they could be detrimental to our business. We would like to see specific guidelines drawn and published to secure our position with the Coast Guard and its affiliates.

We have no objection to Coast Guard Auxiliary activity on a voluntary basis.

The question, however, can be raised: IS IT TRULY VOLUNTARY IF COMPENSATION (CONSISTING OF FUEL, FOOD AND LIABILITY INSURANCE COVERAGE) ARE GIVEN BY THE FEDERAL GOVERNMENT? These costs represent a large portion of our corporate expense.

Jurisdiction over a non-emergency situation by a federally backed organization, in opposition to a small private business could truly be termed inappropriate. (COMPETITION BETWEEN GOVERNMENT AND CITIZEN)

We agree with your change in licensing of commercial towing operators. HOWEVER, we also feel that the Coast Guard Auxiliary and the Coast Guard boat operators should have the experience and testing equal to what we are required to have.

THE COAST GUARD AUXILIARY

In times of an Emergency or Distress situation it is law of the sea to render any assistance by any available vessel close by. Obviously the advantages of a having a trained, experienced Coast Guard Auxiliary facility (because of their availability, notwithstanding their cost) are manifold.

In a Non-Emergency situation, when a boater is at leisure, the problem with the vessel is often minor, and created by poor maintenence or lack of seamanship by the operator; and if there is NO DANGER, they should not take up the resources set up by the Coast Guard for others who might need them.

The Coast Guard Auxiliary Dollar would be more well spent on education to avoid these problems in the first place. In many of the salvage situations we have been on, education such as that which the Coast Guard Auxiliary offers may have prevented the mishaps.

According to the Coast Guard Auxiliary office nearest us, their policy is to patrol from 2PM - 6PM on weekends. This is also our peak income producing period. We feel that this Coast Guard Auxiliary activity is depriving us of capital that we need to be available 24 hours a day 365 days a year.

We have observed that most Coast Guard Auxiliarists in our locale are of retirement age. They are boaters interested in navigation and the safety of their fellow boaters. They have the affluence to own their own boat (which is not designed for towing work); and the time to put into the Auxiliary without recompense (except for fuel, food, and insurance coverage). Most of them have the sense to shy away from too strenuous a job.

PRIVATE TOWBOATING INDUSTRY

Operating and maintaining a maritime organization is a very expensive proposition as proved by the Coast Guard, Fisheries, and Oceanographic organizations who are feeling the cuts in their budgets.

In our small boat towing we charge a fee of $75. - $125. per hour - comparable to a land-based heavy machine, for instance a tow truck or a backhoe. We find most boats we tow are owned by professional individuals and valued between $30,000 -$300,000. These boaters have never had complaints about our service and few about our rates. (Althouth there isn't a person in the world who would prefer paying for something he didn't want in the first place to having it for free.)

THE COAST GUARD AND PRIVATE TOWBOAT INDUSTRY

We have worked side by side with the Coast Guard personnel and equipment on large salvage situations as well as routine towing, and enjoy and respect the Coast Guard's competence and comraderie.

However, on numerous occasions the Coast Guard's regular units have taken Non-Emergency tows during daylight and fair weather for "training purposes" when commercial assistance units were immediately available. We have heard this same complaint from other commercial firms. We would like to see guidelines as to the frequency of training new officers in Non-Emergency Search and Rescue Work in a new directive to minimize competition, while at the same time ensuring that the competence and morale of the Coast Guard is kept high.

This also raises the point that commercial towing firms are usually more experienced in their specific geographical area than the Coast Guard boat operators on duty at the time - the turnover is usually every two years. Speaking for ourselves, everone in our company has lived here and worked on the ocean for at least twenty years, and are trained in towing, salvage and diving. All of our Captains are Coast Guard licensed.

We need the Coast Guard to maintain their firm vigilance with men and equipment 24 hours a day for all weather and all situations.

We need the Coast Guard to set guidelines and policies for commercial and recreational boat operators.

We need the Coast Guard Auxiliary to help in the education of boat operators - that has been their main contribution to the boating industry.

We do NOT need the Coast Guard Auxiliary (subsidized by the waning Coast Guard tax dollar funds) to go around picking up the Non-Emergency tows that are potential income producers to keep the commercial towing firms ready, able and WILLING to work.

We need the commercial towing firms to lighten the caseload of the Coast Guard, leaving them their fuel for Emergency and Distress work.

We need the commercial towing firms so that there is more free enterprise left on the waters of our country. We need the free enterprise to pay the taxes to keep the Coast Guard afloat.

Mr. Studds. Thank you very much, sir.

Mr. Dupee, you are recognized for 3 hours. Mr. Dupee of Tug Nancy J Marine Services of East Falmouth, MA. I understand you don't have a prepared statement, but please feel free to use your 3 hours in any way you would like.

STATEMENT OF DAVE DUPEE, TUG NANCY J MARINE SERVICES, EAST FALMOUTH, MA

Mr. Dupee. I don't want to bore everybody to death here, and I don't want to cover anybody else's tracks, either.

We have quite a bit of Coast Guard in our area, Mr. Studds. We have eight bases within a 15-mile radius of where my vessel is tied up: the Coast Guard station at Cape Cod Canal, Minemsha, New Bedford Group, Woods Hole, Station Woods Hole, Ostiville Station, Air Station Cape Cod, and Grand Point Station. A lot of times, if there is any emergency, if any family is out there and the wind kicks up, they can be there in 20 minutes.

With the auxiliary problem, if they were to take all of our regular tows, we would not have enough income to keep going through the winter. As it is, we make $200,000 a year which is for two people in two families. With our overhead and maintenance, it makes the payroll, but that is about it, and we only charge $75 an hour for the small boat.

If we are put out of business, who is going to be there during the winter when they are towing in the fishing boats, because the two businesses support each other, one in the winter and one in the summer. In areas like Florida and California where you have a year-round boating population, there is quite a few people who can support themselves year round rather than having the auxiliary out there taking their tows, putting them out of business, and then where are you. You are not putting money back into the tax system; you are working in the factory.

Mr. Studds. Thank you.

There is a lesson in this, you see. If you give someone 3 hours, they just take a minute and a half.

Mr. Dupee. Right.

Mr. Studds. I appreciate that.

Mr. Andrews, Harbor Ready Marine, Wickford, RI.

STATEMENT OF JOHN ANDREWS, HARBOR READY MARINE, WICKFORD, RI

Mr. Andrews. Thank you, Chairman Studds.

I am John Andrews, owner of Harbor Ready Marine, a commercial vessel towing operation in Narragansett Bay and Rhode Island Sound.

Harbor Ready Marine's position on the issues that concern us and that you are concerned about is for licensing of commercial towing operators and against allowing the Coast Guard Auxiliary to be called prior to commercial operators.

Harbor Ready's position is, one, the Coast Guard's current policy of referring nonemergency assistance cases to private fee for service operators has had the beneficial effect of making boaters more responsible when utilizing the waterway. We understand that the

Coast Guard in New England is seeing a decline in the calls from recreational boaters in recent years.

My contacts in the marine industry, as well as my contacts with customers on the water, lead me to the following conclusions: One, that the boating community is just beginning to realize that they must be more responsible for themselves and that while the Coast Guard will assist them when they truly need help, they must take the primary responsibility for their own safety and arrival in port; and, two, that significant cost savings to the Government can be realized with no increased risk to the public by continuing with the implementation of the current policy.

Two, Harbor Ready Marine and other operators are now providing around-the-clock, 12-month-a-year towing and salvage service in Rhode Island. In order to continue to provide a quality service and a reasonable return on investment, we must not have competition from free service providers funded or authorized by any level of government.

Three, the free service providers, particular the Coast Guard Auxiliary, has, by tradition, provided assistance during periods of high boating activity, weekends, holidays, and during the warmer months. To allow or encourage this type of selective provision of nonemergency assistance to return will decrease our potential volume to the point that prices will rise on the remaining business and/or we will be unable to remain in business.

Four, the requirement to license operators of towing vessels under 26 feet is a welcomed action. This will assure the public that a certain experience and knowledge level is present with any operator they may utilize. The user public deserves this protection, and our industry should welcome this important quality assurance.

I have just some brief background material. Harbor Ready Marine was started in 1982 as a marine towing company with a 60-foot diesel electric tug. We were not in the yacht towing business at all. In fact, that type of business did not exist in our area at that time since towing was routinely provided free of charge by the Coast Guard and the auxiliary. As implementation of the Coast Guard's towing policy started to be obvious, we decided to respond to the need and enter this phase of the business.

We now operate a 60-foot tug, a 17-foot rubber sided rescue vessel, and a 24-foot specially constructed yacht towing vessel, both of the last two capable of over 40 knots in reaching a disabled vessel. We are fully insured and operate with licensed personnel. My family and I are the primary operating staff. We have made a significant investment in time and money so that we can bring a quality service to the public.

We respond, when appropriate, to true emergencies without charge. This means if we are the best and closest resource that can render assistance, we do. In addition, we help any boater who does not wish to use our services by providing a communication link or standing by until they find alternate help or indicate they are secure.

Thank you very much for your time.

Mr. STUDDS. Thank you very much, Mr. Andrews.

Mr. Peregoy of the Peregoy Marine Towing & Salvage in Annapolis, MD.

STATEMENT OF TIM PEREGOY, PEREGOY MARINE TOWING & SALVAGE, ANNAPOLIS, MD

Mr. **Peregoy**. Thank you very much for giving me the opportunity to speak.

I would like to say I am a true salver. I make my entire living on that, and I feel I am very much a professional.

I own a towing and salvage company in Annapolis, MD, and have done so for 9 years. We specialize in the towing and salvage or recreational vessels of 150 feet or less.

I am the holder of three federally issued licenses, two of which come from the Coast Guard. The first allows me to tow vessels up to 200 tons. The second allows me to operate passenger vessels up to 100 tons with passengers for hire. The third is an FCC radio operator's license which I am required to have.

As holder of these, the Coast Guard states that I am fit and able to do my job safely. The requirements that I had to meet to receive these licenses far exceed what the Coast Guard requires for their own boat operators as well as the Coast Guard Auxiliary.

I would like to say that I don't think anybody is in doubt how well the Coast Guard Auxiliary operates for what they have. I think they do a real good job, and I think they are taking a little bit off the record when people talk about their equipment, about lights and towing bits and so forth. I think everybody is happy they are out there.

I am also president of the Anne Arundel Marine Trades Association in the State of Maryland and an advisor to the State of Maryland on safe boating matters.

I come to speak to you because of proposed changes of policy for the U.S. Coast Guard Auxiliary. As stated on page 5 of the section by section summary, it says that the very nature of the auxiliary grants that organization a status different from that of the regular Coast Guard units. Although the Coast Guard Auxiliary is a voluntary group, it is not a free group by any means. Taking into account the cost of food, fuel, and damage to other boats, not to mention their own, it doesn't seem like such a good bargain after all.

The private sector supplies these services at no cost whatsoever to the Government. On the average, their equipment and knowledge is far superior to the Coast Guard Auxiliary's force. As shown, I think we are guilty of maybe being too successful. Last year, the private sector did 2 percent of the search and rescue for the U.S. Coast Guard and not one penny's cost to the U.S. Government.

For every dollar spent in the marine industry, $2 are supplied in jobs and services to the local economies. Not only it doesn't cost the Coast Guard any money for these services, but it helps simulate the economy and provide jobs.

If this proposal is accepted, it certainly will put some of us out of business. Others will lose their jobs, and certainly, the boating public will suffer also due to the lack of an additional highly trained force which sometimes goes into the heavier aspects of search and rescue when no other source is available. I have saved six lives myself.

As it stands now, the Coast Guard does not follow its nonemergency assistance policy, and that also goes for the Coast Guard

Auxiliary. A lot of times, they don't follow their own orders. If this is passed, the situation will only become worse. The side benefit that has grown from the policy that is in effect at this time is that out of 10 cases that are handed over to commercial assistance, approximately 20 percent decline assistance and solve their own problems. If this policy is enacted as proposed, this will add on to the number of cases that the regular Coast Guard has to handle.

Thank you for your time.

Mr. **Studds**. Thank you very much.

I have two or three general questions I am going to address to all of you. To one extent or another, each of you may have addressed one or more of them, so feel free to respond to it as you wish or to just indicate that you think you have already covered it.

For a moment, at least, leaving aside the question of the Auxiliary, are you generally satisfied with the manner in which the Coast Guard's revised nonemergency assistance policy is being implemented in your part of the country? What specific changes do you believe should be made in that policy, as I say, leaving aside for the moment the question of the Auxiliary?

Mr. **Peregoy**. The Coast Guard regular units do not follow the policy, as I stated.

Mr. **Studds**. Would you amplify on that a bit?

Mr. **Peregoy**. I think it stems somewhat from an attitude sometimes of the OD [Officer of the Day] who is usually in charge of determining whether or not it is a zero-one case, but we have had instances where—I use an answering service, so I am available 24 hours a day and I have a pager. One OD called up about a tow, and since he got the answering service, he assumed that I was not available. I can't be by the phone all the time myself, but I certainly operate under a tighter schedule. The station there is under bravo zero which I believe means they have to respond within 30 minutes. Usually, our response time is sometimes 15 minutes or less.

Therefore, he took it upon himself, and I think it is an attitude problem somewhat. Each watch standard is different.

Mr. **Studds**. Does anybody else want to respond to that?

Mr. **Andrews**. Yes, I would like to. There is a little bit of a learning curve here, I think, for all of us, and I am optimistic things will work out, but I have seen some of the same things this gentleman has talked about.

Specifically, in our area, the Coast Guard promulgated a new policy. I believe it was last summer. I have seen a copy, but our own district has still not translated that into their own policy and made it clear what the policy is. They are supposed to be doing certain things, and they are not. So, there is still a long way to go, but it is nothing I would complain about. I would say it is part of a learning curve, and that will hopefully straighten itself out as we communicate and work with the Coast Guard on it.

Mr. **Studds**. Do any other of you gentlemen want to respond to that? Mr. Boyce.

Mr. **Boyce**. Yes, I would like to say we haven't had, I don't think, any problems with the Auxiliary, just to get that out of the way, but they are not that active, I don't think, in our area.

However, the Coast Guard sort of has a chip on their shoulder about this new directive which, being in the Coast Guard, I can understand. That is what you went in for to do, at least, you thought so, to help the people and tow them when they are broken down, mainly to protect property and save lives, I guess, is their main nonwartime duty. So, you get a bunch of young guys at the base. They want to do the job. It is a nice sunny day. Go for a boat ride and pull the boat in.

That is fine until small business comes along and is trying to make a living. Now, I am sure there are plenty of areas where there are no commercial people, and it is a difficult problem to throw us fellow on some of the bases and not all the bases and what to do about the training. They have used training as their main excuse to take our work, and we have tried to lay off of them pretty good and let them get their training in.

I think the first step would be a very definite directive on how to deal with it. You guys make the decisions, let us know what they are. If you want our feedback, which obviously you do because we are here, we would be glad to help. But I think we need a definite directive that we can use to stand up for our rights with at each individual base we work with. I think that would be a good starting point.

If you feel that they should be towing them in after dark, I think that should be specified. If we can get the after dark work, then it should be specified when, pretty direct definite rules on how to deal with it. Because the way it is now, you go down to the Coast Guard base and you say, well, you took this job, and then the break out their pages and pages of books and they look up their little logs—they want the work, and I understand that. But I think we need a directive that we can go with them or a directive that is not hidden away in their rule books, one that is right out front, to get it squared away exactly how we are going to do it.

If we are going to invest our money in this equipment and look for a future in the business, we have to know.

Mr. STUDDS. Mr. Dupee, do you want to add anything to that?

Mr. DUPEE. No. I agree.

Mr. STUDDS. OK. Again, this question—I am beginning to get the idea quite clearly that we have differences in different parts of the country here on how this is done. So, let me ask, even though I think each of you has addressed this in some way, to do it again so we get it in one part of the record, the question was to have been how active is the Auxiliary in your area. The folks from Massachusetts have made their point clear there.

If we make the changes proposed in the bill, how great an effect do you think it would have on your own operations? Let's go right down the line. Mr. Dupee, do you want to start?

Mr. DUPEE. I think with the main part of our income in the summertime being the towing and the salvage business and during the wintertime the larger boats, for myself or Jim and I, I think if we were forced out of our summertime income and our small boat pursuits by the Auxiliary taking a lot of the business away—which they could. New Auxiliary members pop up, and we are here all the time. I have been on the Vinyard Sound, Nantucket Sound since I was 4 years old. I think we could lose enough income that we couldn't keep it going, because there is quite a bit of maintenance to the boats and there is quite a bit of time that you have to spend. I walk around with a hand-held radio to listen for the jobs, and I have some competitors, too, and if I don't show up within 20 minutes, the Coast Guard goes right out and takes the tow.

So, we are right on top of it, and if the Auxiliary, who are on their safety patrols—and I think it is a fine endeavor to be out there because there are a lot of situations where they can help people before the Coast Guard can get there and before we can get there to tow them in. But we are not out there to save lives. Like someone else described it, we are running basically a tow truck service. And if we can help out, we are glad to.

But I think we could lose our livelihood by the Auxiliary, and a lot of other gentlemen that we have talked to on the phone and two other ones who are in our area could be put right out of business because it is a very fine line how much of the yacht work is needed to support you.

Mr. STUDDS. Do you and your competitors sometimes end up essentially racing one another to a scene?

Mr. DUPEE. No. It is agreed over the air.

Mr. STUDDS. You do it ahead of time.

Mr. DUPEE. It is agreed who is doing it. A rotating list schedule if there is close competition in one area might be the way to do it. Now, in the fishing boat towing business, we go offshore. Sometimes we will go 40, 50, or 60 miles off Nantucket to pick up a fishing boat that has broken down. There are only two boats that do that, our boat and Mr. Charlie Mitchell who testified here before. So, in that case, it is usually whoever has been towed by the fishing vessel before. He will choose whoever is the lower rate.

But in the yacht towing business, once you tow somebody, you usually never tow them again. So, they don't know who to choose on the radio. With the rotating list, if someone is not available, the next person could be called. Usually, we respond right on the air and there are usually three or four responses to a job at a peak time in our area.

Mr. STUDDS. And how active is the Auxiliary in the area in which you operate?

Mr. DUPEE. Well, in the towing section, I don't think it is very active, because most of the gentlemen and ladies are older, and I don't think they really want to undertake a towing situation if they don't feel that it is right, which is very good judgment, I think. In other areas—my father is in Florida and I go down there for the Christmas vacation—they are very active. I talked to a guy down there in Marathon, and he says the Auxiliary takes most of his work.

Mr. STUDDS. Don't tell me they are younger in Florida.

Mr. DUPEE. I don't think so, but they take a lot more of the work. I know that, according to this gentleman.

Mr. STUDDS. It takes less effort.

Mr. DUPEE. Maybe; it is sunnier, not like the North Atlantic.

Mr. STUDDS. Don't say that. Thank you.

Mr. Boyce, do you have a response?

Mr. BOYCE. I already went, but I think he has a problem in his area.

Mr. Studds. Mr. Peregoy?

Mr. Peregoy. We have a very high number of boats in our area, and we have, as I said, a lot of Coast Guard Auxiliary. We have managed to survive in the past, even when they have gone out and towed when they are not supposed to. If they were allowed to tow any time they wanted to, it would probably cut down about 80 percent of our towing. It would certainly put people out of business in the area, and it would also leave a gap at night, during the evening. It would leave a gap during the week.

For instance, this fall, we started getting calls from the Coast Guard to do towing at night. I asked them if their boat was broken down, and they said no, we are on budget cuts now. All of a sudden they will start calling us and asking us to respond when they have a problem, and then they will stop calling us when they don't need us. It is hot and cold, hot and cold. We have an annual budget to meet. It makes it a little more difficult.

I am sorry to be such a critic of the Coast Guard, but I have seen them go up and down so many hills, and though I respect them very much, there are some problems there.

Mr. Studds. I hope you won't take that analysis and conclude from it that you should ask whoever your Congressman is to support Gramm-Rudman. Never mind. It is not easy to go up and down hills in a boat, as you very well know. It is a challenge the Coast Guard has been subjected to.

I appreciate what you are saying, though. I think you make the point that it is very different, indeed, from one part of the country to another.

Mr. Boyce. I think his is different again.

Mr. Studds. Again, Mr. Andrews.

Mr. Andrews. We have heavy Auxiliary coverage during season from 10 o'clock on Saturday morning until 5 or 6 p.m. usually, and the same on Sunday. There are usually six or eight boats around the bay. We are in a sheltered water situation, primarily, where that is attractive. Also, a lot of people help themselves in our particular area, particularly now that the Coast Guard isn't towing so much and they don't want to pay.

But the Auxiliary now still gets a number of things that I think are suspect under the guise of training, and we have to kind of stay on the Coast Guard dispatcher so that it doesn't get out of hand. Certainly, if they were called on weekends, they would get the majority of the work, if not all of it. I would say we would likely withdraw from the yacht towing end of our business. It wouldn't be worth staying around for that the rest of the time really, I think.

Mr. Studds. I thank you. Before we go to the next panel, does anyone wish to make any further observations? Did you, Mr. Boyce?

Mr. Boyce. I think that pretty well covers it. There were a few points.

I asked Bill there about the insurance, and I read everyone's report about insurance. I think if the Auxiliary does get the go-ahead to do this, I think it would only be fair if they have to get the same license we have to do it, and I think it would only be fair that maybe we can talk about subsidizing our insurance when we are working on an SAR towing job.

Mr. **Studds**. That shows where you stand on Gramm-Rudman. [Laughter.]

Mr. **Peregoy**. I would like to see the Coast Guard Auxiliary be required to show towing lights which would not be a big economical impact for them. That is a problem in our area, and people have been killed because of it. It is not an expensive thing to do. We are required to do it, and I believe it is a necessary item.

Mr. **Studds**. I appreciate that.

Let me thank you all for coming. You have all come from places that are absolutely worth returning to as fast as possible, and I recommend that. Thank you very much.

We go to panel No. 5: Mr. Steward, Mr. Stone, and Ms. Finch.

We will begin with Mr. Stewart of the National Association of State Boating Law Administrators.

STATEMENT OF GEORGE STEWART, CHAIRMAN, LEGISLATIVE COMMITTEE, NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS

Mr. **Stewart**. Mr. Chairman, I would like to just give a brief summary, and my testimony will be inserted in the record.

Mr. **Studds**. It certainly will. That will be the case for everyone. Thank you.

Mr. **Stewart**. Our association feels that Public Law 98-369, the Sport Fishing and Boating Enhancement Act was a milestone legislation in directing support to our boating public with the tax this group pays on marine fuel used in motorboats. We feel the States are indeed using these funds wisely in boating safety, boating education, boating law enforcement, and boat search and rescue.

We were obviously dismayed to hear that an effort is being made to reduce our authorization for funding by $15 million and pass this on to the Coast Guard. Should this happen, we don't think the Coast Guard will be increasing their service to recreational boating. What we do see is a reduction in the States' programs due to the loss of $15 million. The loser in this case would obviously be the boating public.

We feel the State program to date is living up to the high expectations of the Congress. However, we cannot overemphasize that stability is needed if the true fruits of our labors are recognized. We therefore urgently ask this subcommittee to thwart any efforts to reduce the State authorization.

It seems difficult to get an accounting of the exact amount of tax that is generated from marine fuel. A consideration may be for the Congress to establish a percentage of all fuel tax generated that could be contributed to motorboats, using some State studies and the Federal study to make this determination. You may find that there would be enough to satisfy all interests, including the Coast Guard.

We enjoy a close cooperative working relationship with the Coast Guard Auxiliary and welcome any and all assistance rendered to our boating public by this group. In the interests of professionalism in boating safety, our association supports the Coast Guard in requiring all tow boat operators to be licensed by the Coast Guard. We feel that the Coast Guard should be authorized to use a part of the boating safety funds to pay the Federal costs to administer that program. To date, we are pleased with the outstanding manner in which this program is administered by the Coast Guard.

In summary, we feel that we enjoy a close working relationship with the Coast Guard. We feel that we compliment each other in our efforts to make safe and enjoyable boating a reality. We are therefore pleased to offer our comments at this subcommittee hearing.

Thank you.

[Prepared statement of Mr. Stewart follows:]

Prepared Statement of George W. Stewart, Jr.

The National Association of State Boating Law Administrators welcome the opportunity to give testimony regarding the Coast Guard authorization legislation for fiscal years 1987 and 1988.

First, Mr. Chairman, let me say that our Association feels very strongly that the Sportfishing and Boating Enhancement Act of 1984 (PL 98-369) "Wallop-Breaux" was a milestone legislation in directing support to "our boating public" with the tax this group pays on marine fuel used in motorboats. In previous testimony, we applauded this Subcommittee and the Congress on their farsighted approach to the needs of this user group, without placing a burden on the general taxpayer. We are here again today to reiterate our support of this important law.

Fiscal 1986 is the first year that the States have received the full appropriation of the $30 million authorized, with the exception of a possible reduction under the Graham-Rudman law. We were elated to see the Congress acknowledge the need of this user group, in allowing the States to take a more active role in boating safety, boating education, boating law enforcement, boat search and rescue and providing public access facilities. We also recognized that this would strengthen our Federal-State maritime partnership and hopefully relieve the Coast Guard of many of their responsibilities in this area.

With our spirits running high in making long range plans for our State Boating Safety Program, we were obviously dismayed to hear that an effort is being made to reverse the authorization of the first $45 million of the Federal marine fuel tax from $30 million to the States and $15 million to the Coast Guard to provide $30 million to the Coast Guard and $15 million to the States. If this flip-flop of authorization was to be approved, it may appear that the Coast Guard would be increasing their service to the boating public. In reality, we don't think this will happen. What we do see is a reduction in the State boating safety program due to the loss of $15 million. The loser would obviously be the boating public.

The largest problem we have is in dealing with the tremendous uncertainty over Federal funding year to year. It makes it impossible to prudently budget for long-term commitments to program improvement with any certainty. The Federal funds so far have allowed us to do many things that contribute to safety on the water, such as:

- Increased boating safety patrols;
- Better boating accident investigations have pointed up causes which are targeted for increased education and enforcement;
- Increased training of enforcement officers;
- Better communications and enforcement equipment;
- Now reaching more boaters with free education classes;
- Working towards better statistical data on effects of alcohol and boating, i.e. In California, a two year study showed that in 59% of fatal motorboat accidents where testing could be conducted, alcohol was a contributing factor to the cause of an accident;
- The erection of Kiosks to provide boaters information on coastal bar crossing, navigation, equipment requirements, rules of the road and related information including charts.
- Erection of wind warning strobe lights across heavily used bodies of water to warn boaters of impending high winds;
- Courtesy boat safety inspections;
- Conducting boating surveys, which provide critical data for assessing boat use, conflict areas and safety courses;
- Handing out free literature on boat noise, sailboarding safety, make way in dealing with large ships, hypothermia, thrill craft, use of life jackets (PFD's), and dealing with alcohol use.

The following States have shown a noticeable reduction in boating fatalities:

State	1983	1984	1985
Arizona	15	9	6
Arkansas	15	8	11
California	95	93	76
Connecticut	15	8	4
Delaware	4	0	2
Georgia	36	13	29
Louisiana	73	58	58
Maine	15	12	7
Maryland	26	24	17
Massachusetts	22	21	17
Michigan	56	40	48
Montana	18	2	8
Nevada	10	4	3
Ohio	34	34	29

Pennsylvania	25	23	16
South Carolina	41	35	17
South Dakota	5	6	1
Virginia	32	22	19
West Virginia	10	7	6
Wisconsin	43	22	22

So as not to mislead the Subcommittee, we must point out that in many States, they have experienced a surge in boating fatalities and in others they are just holding their own. With the ever increasing number of recreational boats on our waterways, this will obviously be a problem that must be addressed with long-range planning and funding to get the job done.

We feel the State program, to date, is living up to the high expectations of the Congress. With full funding during FY'86 we will strive for more innovative use of the funds to better educate the boater and further reduce boating fatalities. However, we cannot over emphasize that stability is needed if the true fruits of full funding are to be realized. We, therefore, urgently ask this Subcommittee to thwart any efforts to reduce the State authorization.

It seems to our Association that it has been extremely difficult to get an accounting of the exact amount of tax that is generated from marine fuel. Maybe some of this stems from the large amount of gas purchased by boaters from highway gas stations for use in trailered boats. A consideration may be for the Congress to take the lead and establish a percentage of all fuel tax generated that can be contributed to motorboats using some State studies along with any Federal study to make this determination. You may find that there would be enough to satisfy all interests including the Coast Guard.

In the case of Federal boat user fees, we have not seen a breakdown of the fees contemplated or the justification for these fees. So without this information we are reluctant to take pot shots beyond voicing our concern as follows:

Our Association was hopeful that Federal boat user fees would not resurface until after evaluating our State efforts with full funding to see what the shortfalls were (if any) that may require enactment of Federal boat user fees. Again, fiscal 1986 is the first year we have seen full funding and as of this date, these funds have not been distributed to the States. Also of concern to our Association is the fact that some of our States have no Coast Guard presence as pertains to recreational boating and some States indicate that they can handle the recreational boating safety efforts without Coast Guard assistance. The question is raised, "Should boat owners in those States be required to purchase and display a user fee validation decal?" We think not.

The States recognize and appreciate the services of the Coast Guard Auxiliary personnel on State waters. We enjoy a close cooperative working relationship with the Coast Guard Auxiliary and welcome any and all assistance rendered to our boating public by this group.

Our Association feels that any operator of a commercial vessel of any length that tow disabled vessels should be licensed by the Coast Guard. Action by these operators affect the safety of persons on the disabled vessel and we feel that the tow boat operator should be knowledgeable of the rules of the road, seamanship and boat handling as a minimum. Requiring an operator's license would insure this.

We feel that the Coast Guard should be authorized to use a part of the State boating safety funds to pay the Federal costs of administering that program. We think this is normal administrative procedures used by other Federal agencies who administer funds to the States. To date, we are pleased with the outstanding manner in which this program is administered by the Coast Guard.

In summary, Mr. Chairman, the National Association of State Boating Law Administrators enjoy a very close working relationship with the Coast Guard. We feel that we compliment each other in our joint efforts to make safe and enjoyable boating a reality on our nation's waterways. We are, therefore, pleased to offer our comments before this Subcommittee on the Coast Guard's authorization legislation for fiscal years 1987 and 1988.

Thank you.

Mr. STUDDS. Thank you very much, sir.

Mr. Ron Stone of the National Marine Manufacturers Association.

STATEMENT OF RON STONE, DIRECTOR, GOVERNMENT RELATIONS DEPARTMENT, NATIONAL MARINE MANUFACTURERS ASSOCIATION, ACCOMPANIED BY LARS GRANHOLM, DIRECTOR, ENGINEERING DEPARTMENT

Mr. STONE. Thank you, Mr. Chairman. I represent the National Marine Manufacturers Association, well known to you as NMMA. We have 1,177 members who manufacture everything in recreational boats, the engines to propel the boats, boat trailers and associated equipment. Our association is deeply committed to furthering safe boating. Our program for the inspection and certification of boats to compliance with Federal manufacturing standards is, we think, a very excellent example of this.

Immediately following my remarks, Lars Granholm, the director of our engineering department, will elaborate on how our factory inspection program serves the boating public and helps the Coast Guard without contracting out.

Highlighting our written testimony that we have submitted for the hearing record, let me say that NMMA supports the recreational boating safety elements of the Coast Guard Authorization Act of 1986. However, we do have a problem in reconciling section 12 for paying the Coast Guard 1 to 2 percent off the top of the State Boating Safety Assistance Program for administrative costs with the Department of Transportation's fiscal year 1987 budget proposal to cut the State Boating Safety Assistance Program by half and give the difference to the Coast Guard.

The Department's budget proposal makes no sense to us considering that it is the States, not the Coast Guard, that are doing most of the work in recreational boating safety today. We are deeply concerned that the proposed reversal in the funding ratio of the boating safety account of the National Aquatic Resources Trust Fund taken in conjunction with Gramm-Rudman spending cuts will deeply undermine the States' ability to carry on with law enforcement, education, and other worthwhile boating safety programs.

States, we fear, will be most reluctant to make a long-term commitment to recreational boating safety on any but solely State waters because of the inadequacy and uncertainty of Federal financial assistance. This could be fatal in the sense that the Coast Guard has neither the manpower nor the jurisdiction on many popular boating waters to fill in for the States, and subsequently reduced boating safety efforts could see a commensurate rise in boating accidents and loss of life.

It is premature, we feel, to say that more revenues are needed to underwrite Coast Guard services ascribed to recreational boating when the States have not yet been given a reasonable opportunity to prove what they can do to relieve the Coast Guard and improve boating safety if given their full share of authorized funding. Further, as this subcommittee said at last year's hearing, it is wrong to propose charging all boaters across the board a so-called user fee for Coast Guard services considering the majority of boaters nationwide have no exposure to the Coast Guard and do not use Coast Guard services.

It is distinctly possible that motorboat fuel taxes accruing to the National Aquatic Resources Trust Fund are producing more than twice the amount allotted to the boating safety account. In light of this, the subcommittee may wish to reevaluate the $45 million ceiling on the source of funding for the Coast Guard and State recreational boating safety programs.

Another possibility for generating revenues for the Coast Guard which has been suggested to you by the National Marine Bankers Association most recently is to require States wishing to participate in Federal boating safety assistance to have in place a Coast Guard administered system for uniform titling of undocumented vessels. National boat titling is needed to provide documentary proof of ownership, to protect security interests in boats, and to discourage boat theft.

The bankers' proposal is to have the Coast Guard set up a national system for the recordation of security interests, using State issued titles as the vehicle for the disclosure of security interests and added identification in tracing lost or stolen vessels. Undocumented vessel owners would pay the Coast Guard a one-time fee for this service. The Coast Guard could then contract out the service the same as had been done for private aircraft through the Federal Aviation Administration.

The Coast Guard already has the authority under the Wallop-Breaux Act to provide guidelines for uniform State boat titling, but they have not done so to date.

Finally, as we suggested to this subcommittee in testimony last year and before that, it may not be necessary to maintain the Coast Guard at its existing level of service in recreational boating safety programs. We maintain that in certain areas, the Coast Guard could save money by delegating responsibility to the States and the private sector.

At this point, I would like to defer to Mr. Granholm to comment on our voluntary boat inspection and certification program.

Mr. **Studds**. Mr. Granholm, I would be happy to recognize you, but you qualify for the remaining minute and a half. Sorry about that.

Mr. **Granholm**. Thank you, Mr. Chairman. I will try to keep it brief.

STATEMENT OF MR. GRANHOLM

Mr. **Granholm**. Currently, the Coast Guard's inspection and compliance testing program is slated for expansion by the fiscal year 1987 budget. I think this indicates an increase of six positions and some additional funding. We support this because it is needed. Many manufacturers are not aware of the Coast Guard's requirements.

The Coast Guard's testing over the past year indicates that they have tested 100 to 200 boats. They visit the manufacturers also. But out of 2000 boat manufacturers, this is way too low, we feel.

The NMMA already has a program in effect where we are inspecting over 75 percent of the recreational boats in the country. These requirements are in excess of the Coast Guard requirements. We urge the Coast Guard to pursue inspecting the remaining 25 percent of the low volume boat builders who are not inspected by anybody at this point. We feel it is a misallocation of the Government's time that the Coast Guard double checks boats that already have been certified to higher standards.

At the last meeting of the National Boating Safety Advisory Council, the Coast Guard mentioned that when they inspect an already certified boat, in 9 times out of 10, this boat meets all their requirements. In the remaining 10 percent of the cases, a certified boat fails by such a small margin that it does not affect the safety. Anyway, the Coast Guard is spending one-third of their time and effort inspecting these boats which they admit have no problems.

We have offered the Coast Guard full access to our computers to look at the boats before they inspect them. Recently, they have been buying some boats which have three times more flotation than they need. All they would have had to do is look at the computer information and then decide whether or not they decide to buy these boats.

We asked the Coast Guard's legal office if there is any way they can proceed and have a policy of not inspecting the boats that are already certified. They felt they cannot do it.

There is a provision in the Federal Boat Safety Act whereby the Coast Guard is authorized to delegate some inspection functions. I think it would be imperative for the Coast Guard to stay out of inspection of boats which are already certified. Why spend one-third of their time inspecting boats which have no problems?

Thank you, sir.

[Prepared statement of Mr. Stone follows:]

PREPARED STATEMENT OF RON STONE

My name is Ron Stone. I represent the National Marine Manufacturers Association (NMMA) -- a national trade association with 1200 members who produce recreational boats, marine engines, and associated equipment. Accompanying me to answer any technical questions you may have is Lars Granholm, Director of the NMMA Engineering Department.

NMMA has consistently supported Coast Guard services that are demonstrably beneficial to the safety and welfare of the recreational boating public.

For example, we support Section 12 of the Coast Guard Authorization Act before you to retain one to two percent of state boating safety assistance money in each fiscal year to pay for the Coast Guard's costs of administration. It is important that the Coast Guard have the capability to monitor and supervise federal aid to state recreational boating safety programs. We also support Section 9 regarding policy on the use of the Coast Guard Auxiliary.

However, this year coming at the same time as consideration of the Coast Guard's proposed budget authorization for fiscal years 1987 and 1988, we are troubled by an Administration proposal to gain more revenue for the Coast Guard by diverting half of the state boating safety assistance funds authorized by the Breaux-Wallop Act. Since the Breaux-Wallop Act was designed, among other things, to realistically redistribute the workload in government boating safety services from the Coast Guard to the states, recognizing that the states are doing 90 percent of the work, there is no justification for giving the Coast Guard two-thirds of the money for 10 percent of the national boating safety effort.

Further, in view of the pressures of the Gramm-Rudman Act for cutting back on federal government spending, the overriding concern should be how we are going to get the most bang for the taxpayer's buck by way of government service benefiting recreational boating safety. Instead of looking for new revenues to maintain the Coast Guard at its present level of recreational boating safety services, the major consideration should be how to optimize recreational boating safety efforts with existing revenues. We think the optimum use of the money is at the state level, matching boating's federal excise taxes dollar for dollar.

Scarcely two months ago, Congress appropriated $30 million from the Breaux-Wallop Trust Fund for state boating safety assistance during FY 1986. Before the states have even received their allocations for the current fiscal year and been given a reasonable opportunity to prove what they can do with the money, the Administration has reneged on its commitment to Breaux-Wallop as the embodiment of the user-pay philosophy. They now propose that half of the boaters' user fees be given to the Coast Guard and that recreational boaters should pay an annually adjustable Coast Guard user fee on top of that. A $15 million diversion plus and an additional $238 million, increasing to $476 million after the first year, chiefly in the name of Coast Guard boating safety service, is excessive by any stretch of the imagination. We oppose this money grab.

We urge this committee to resist this depredation of the Boating Safety Account of the Breaux-Wallop Trust Fund. The Committee should continue to support boating safety assistance to the states which the Coast Guard itself in its 1982 Roles and Missions Study Report acknowledges to be the "primary on the water enforcers of boating safety laws and regulations. . . in this country."

We also urge the committee to oppose Coast Guard recreational boat user fees, as you did last year.

Further, we ask this committee to reexamine the current level of funding of Breaux-Wallop's Boating Safety Account. It may well be that the $45 million ceiling on federally-collected motorboat fuel tax assigned to the Account is too low compared to total revenue from this source. Treasury estimates that total motor fuel tax receipts attributable to recreational boating amount to three quarters of one percent. Yet, popular boating states, such as California, Michigan, and Minnesota, that have studied the amount of fuel tax they collect from boaters have found that it is one percent or better of total motor fuel tax receipts. Besides that, Treasury is not counting the taxes paid by recreational boaters on diesel fuel which normally accounts for about 15 percent of the fuels used in recreational boating. We would not be surprised if it were found that boaters are paying the federal government $100 million annually in tax on gasoline and diesel fuel.

If indeed there is a shortfall in funding boating safety and sport fishing enhancement from motorboat fuel tax, we submit that the Boating Safety Account should enjoy parity with the Sport Fish Restoration Account of the Breaux-Wallop Trust Fund. Presently the Sport Fish Restoration Account receives all motorboat fuel tax in excess of the first $45 million assigned to the Boating

Safety Account and $1 million for the Land and Water Conservation Fund, plus an excise tax on sport fishing equipment, and import duties on pleasure boats and yachts and fishing tackle. However, the motorboat fuel tax is the only source of funding for the Boating Safety Account.

Another issue in the Coast Guard's budget, of paramount concern to us in the recreational boating industry, is the scope and cost of the manufacturers boating safety standards inspection and compliance testing program.

Currently, the program is slated for expansion by the Coast Guard. The FY 1987 budget proposal indicates an addition of six positions and an additional expenditure of $156,000. The reason given for increased staffing is to allow for more frequent and thorough enforcement of boat construction standards regulations by having the Coast Guard visit each and every boat manufacturer subject to Federal regulations. We submit that a great deal of this expense is unnecessary and unwarranted.

The National Marine Manufacturers Association, under a long-standing voluntary self-policing program, is already factory inspecting and testing 75 percent of the recreational boats in production in this country to compliance with federal manufacturing safety standards. Our own program is even more stringent than the Coast Guard's, and it costs the individual manufacturer less.

We have no quarrel with the Coast Guard pursuing the 25 percent of low-volume boat builders who are not inspected and certified by the National Marine Manufacturers Association. However, we feel it is misallocation of the government's money when the Coast Guard double-checks boats that have already been certified by us to higher standards.

NMMA is already on record with this committee as urging the Coast Guard to save money by delegating inspection to qualified third parties. Under the National Bureau of Standards guidelines for federal agency third-party certification published February 15, 1984, national trade associations like NMMA could qualify. Further, in Section 8 of the Federal Boat Safety Act of 1971, the Coast Guard is authorized to delegate inspection for compliance enforcement to qualified third parties.

We do not think the Coast Guard is justified in becoming more involved in something that is already well-addressed by the private sector and which it is authorized to delegate, especially at a time when the federal government is under pressure to cut back on spending programs. We are particularly opposed to the suggestion that all manufacturers, regardless of whether they are otherwise adequately inspected and certified, should incur user fees in order to support the Coast Guard program.

If there is one message NMMA would like to leave with you today it is that we would like to leave things the way they are. Every proposed increase in the cost of Coast Guard recreational boating safety services seems to have within it the potential for actually decreasing recreational boating safety efforts nationwide, raising taxes in the guise of revenue enhancement, and ultimately increasing the cost of going boating.

Thank you for your consideration.

Mr. STUDDS. Thank you, sir.

Ms. Finch of the National Boating Federation.

STATEMENT OF EVE FINCH, PRESIDENT, NATIONAL BOATING FEDERATION

Ms. FINCH. Good afternoon, Chairman Studds.

On behalf of the National Boating Federation, I thank you for the opportunity to speak here today.

I do currently serve as president of that organization. It is a nonprofit, volunteer association of recreational boating yacht clubs and individual boat owners. We currently represent more than 2 million boatmen throughout the United States.

We are less than enthusiastic about the DOT's proposed fiscal year 1987 budget for Coast Guard services ascribed to recreational boating. The most apt description of what I have heard from our members is outrage.

A brief review of the history of Federal funding of recreational boating programs with boaters' tax dollars is important to an understanding of this concern over this latest proposal to deprive the recreational boating community once again of the benefit of its tax dollars.

The idea of letting boatmen pay their own way using federally collected motorboat fuel tax to pay for Government services uniquely benefiting boating did originate with the National Boating Federation in 1978. The purpose of our effort was to set aside boaters' tax dollars from the Land and Water Conservation Fund. Boating funds had been misappropriated from the fund for outdoor recreation projects of little or no benefit to boating heretofore.

In 1980, thanks to Congressman Biaggi, we got $20 million a year of motor tax fuel tax money redirected to a new recreational boating safety and facilities improvement fund. Unfortunately, Congress failed to appropriate 1 cent of our money for Federal assistance to State recreational boating safety or boating facility programs although hundreds of millions of our dollars had been spent over the past 15 years on nonboating recreation forms under the Land and Water Conservation Fund.

Subsequently, in 1982, thanks again to Congressman Biaggi, the funding mechanism for use of our motorboat fuel tax was changed from pure appropriations to direct contract spending authority vested in the Secretary of Transportation. Also, the amount of the fund was raised from $20 million to $45 million, recognizing that the Federal tax on gasoline had been raised a nickel a gallon.

No funds were appropriated under this program it developed, because spending recommendations had to be submitted as part of the Coast Guard's overall budget, and expenditures on boating safety would have offset spending on other Coast Guard programs. Furthermore, the Coast Guard was hostile to spending boaters' funds on public access because of its limited and narrow view of marine safety.

In 1984, thanks this time to you, Congressman Breaux, and others, boatmen and fishermen developed a compromise for sharing motorboat fuel tax money. Under the Wallop-Breaux Act, the old Biaggi Fund became the Boating Safety Account of a restructured dedicated trust fund. Boating's share of the $100 million-plus fund was set at $45 million with $15 million of that going to the Coast Guard for its operating expenses associate with recreational boating.

Clearly, boating is paying for its use of the Coast Guard. The Sport Fish Restoration Account, successor to the old Dingell-Johnson Fund, received the balance, except for $1 million left in the Land and Water Conservation Fund. Expenditures for recreational boating facilities in the form of public access sites were included as an authorized element of a federally assisted State boating safety program.

Until fiscal year 1986, Congress failed to appropriate the full amount of $30 million authorized for State boating safety programs, because of a misunderstanding that it is the States, and not the Coast Guard, who are performing 90 percent of the work in recreational boating safety today.

The Coast Guard itself acknowledges this. They do so in their 1982 Roles and Missions Study Report. The Coast Guard's role in recreational boating safety nationwide is only 10 percent.

In the interest of time, I will present the rest of my testimony for the record. I would like to touch on a couple of things.

Insofar as the payment of interest is concerned to members of the United States Coast Guard Auxiliary whenever the payment of a valid claim is not made within 60 days, we do wholeheartedly support this proposal. The United States Coast Guard Auxiliary is an advisory member of the National Boating Federation.

In listening to testimony on towing, it seems that everything has been addressed except the private owner of the vessel. I think there might be times when they would like to choose who tows them. Of course, there are other times when they are glad to get towed by anyone.

Again, sir, we thank you for the opportunity to be here today.

[Prepared statement of Ms. Finch follows:]

PREPARED STATEMENT OF EVE FINCH

My name is Eve Finch. I am President of the National Boating Federation, a national non-profit association of recreational boat and yacht clubs and individual boat owners, collectively representing more than two million recreational boating enthusiasts throughout the United States. A list of our members is attached to my written statement.

I am here today to tell you that we are less than enthusiastic about the Department of Transportation's proposed fiscal year 1987 budget for Coast Guard services ascribed to recreational boating. In a word, the most apt description of what we feel about the Administration's scheme to further subsidize the Coast Guard's authorized multiple mission responsibilities with recreational boating funds is "outrage."

A brief review of the history of federal funding of recreational boating programs with boaters' tax dollars is important to an understanding of our great frustration and

anger over this latest proposal to deprive the recreational boating community of the benefit of its tax dollars. The idea of letting boaters pay their own way, using federally-collected motorboat fuel tax, to pay for government services uniquely benefiting boating originated with the National Boating Federation in 1978. The purpose of our effort was to set aside boaters' tax dollars from the Land and Water Conservation Fund. Boating funds had been misappropriated for many years from LAWCON for outdoor recreation projects of little or no benefit to boating.

In 1980, thanks to Congressman Biaggi, we got $20 million a year of motorboat fuel tax money redirected to a new Recreational Boating Safety and Facilities Improvement Fund. Unfortunately, Congress failed to appropriate one cent of our money for federal assistance to state recreational boating safety or recreational boating facilities programs although hundreds of millions of our dollars had been spent over the past 15 years on non-boating recreation forms under the Land and Water Conservation Fund. Subsequently, in 1982, thanks again to Congressman Biaggi, the funding mechanism for use of our motorboat fuel tax was changed from pure appropriations to direct contract spending authority vested in the Secretary of Transportation. Also, the amount of the fund was raised from $20 million a year to $45 million, recognizing that the federal tax on gasoline had been raised a nickel a gallon. No funds were appropriated under this program, it developed, because spending recommendations had to be submitted as part of the Coast Guard's overall budget and expenditures on boating safety would have offset spending on other Coast Guard programs. Furthermore, the Coast Guard was hostile to spending boaters' funds on public access because of its narrow view of marine safety.

In 1984, thanks this time to Chairman Studds, Congressman Breaux and others, boaters and fishermen developed a compromise for sharing motorboat fuel tax money. Under the Wallop-Breaux Act, the old Biaggi Fund became the Boating Safety Account of a restructured dedicated trust fund. Boating's share of the $100 million plus fund was set at $45 million with $15 million of that going to the Coast Guard for its operating expenses associated with recreational boating. Clearly, boating is paying for its use of the Coast Guard. The Sport Fish Restoration Account, successor to the old D-J Fund, received the balance except for $1 million left in the Land and Water Conservation Fund. Expenditures for recreational boating facilities in the form of public access sites were included as an authorized element of a federally-assisted state boating safety program. Until fiscal year 1986 the Congress failed to appropriate the full amount of $30 million authorized for state boating safety programs, because of a misunderstanding that it is the states, not the Coast Guard, who are performing ninety percent of the work in recreational boating safety today.

The Coast Guard itself acknowledges this. They do so in their 1982 Roles and Missions Study Report. The Coast Guard's role in recreational boating safety nationwide is only ten percent.

The Transportation Department's proposal to amend the authorization levels of the Boating Safety Account of the Wallop-Breaux Trust Fund to double the Coast Guard's share to $30 million, and cut back the states to $15 million is at best a mere money-grabbing scheme. It is clear to us that boating safety programs are not a Coast Guard priority, but recreational boaters' earmarked tax dollars are clearly a priority with us. Given the lack of support for our boating safety programs at the Coast Guard and within the Administration, the National Boating Federation is convinced that boaters will receive more value for their tax dollars nationwide if the funding ratio is left as is, with the states matching boaters' tax funds dollar for dollar. With Congressional oversight, the states will use the money to deliver effective boating safety and related programs, including SAR, more efficiently than the Coast Guard in most cases. Forgive our cynicism, but the record is clear; if you give the Coast Guard more money in the name of recreational boating it will not be spent on recreational boating. Drug interdiction, military readiness programs, and other missions that have nothing to do with recreational boating have been the beneficiaries of funds paid by boating and fishing tax dollars.

It is not only unfair and unjustified, but premature for the Transportation Department to ask the Committee to flip-flop the funding ratio of the Boating Safety Account in the Coast Guard's favor. Fiscal year 1986 is the first time ever that the states have been appropriated any significant level of authorized funding. We doubt whether most have even received their allocation yet. Truly, they have not been given a decent opportunity to show what they can do with the money to improve boating safety.

Thus, the National Boating Federation, which represents a cross-section of the people who are now paying the bill, urges this Subcommittee not to vote for what we consider to be a gross padding of the bill. We respect and support the Coast Guard, but we would hate to see a travesty committed in the Coast Guard's good name. Make no mistake, the money the Administration wants from recreational boaters to pay for the Coast Guard is not for recreational boating services of the Coast Guard.

For the same reason, we remain adamantly opposed to recreational boat user fees. The Coast Guard tells us the only way they can handle user fees without creating an administrative nightmare for themselves is to charge all boaters across the board regardless of whether they ever see the Coast Guard or utilize Coast Guard services. That is not a user fee. It is a tax, and this Administration has repeatedly told us it is opposed to new taxes. Using the existing tax on motorboat fuel, let the states increase their boating safety efforts on federal as well as state waters. We predict that increased funding to the states will both diminish the need for Coast Guard involvement and enhance safe boating.

Thank you for the opportunity to present our views.

The NATIONAL BOATING FEDERATION is comprised of the following International, National, Regional, and State organizations.

AMERICAN WATER SKI ASSOCIATION

CALIFORNIA MARINE PARKS AND HARBORS ASSOCIATION

CHESAPEAKE BAY YACHT CLUBS ASSOCIATION

CHESAPEAKE BAY YACHT RACING ASSOCIATION

FLORIDA COUNCIL OF YACHT CLUBS

GREAT LAKES CRUISING CLUB

INTERCLUB BOATING ASSOCIATION OF WASHINGTON

INTER-LAKE YACHTING ASSOCIATION

INTERNATIONAL ORDER OF THE BLUE GAVEL

LAKE MICHIGAN YACHTING ASSOCIATION, INC.

MASSACHUSETTS BAY YACHT CLUBS ASSOCIATION, INC.

NATIONAL CLUB ASSOCIATION

NORTHWESTERN BOATING COUNCIL

OREGON FEDERATION OF BOATERS

OUTBOARD BOATING CLUB OF AMERICA

PACIFIC COAST YACHTING ASSOCIATION

PENNSYLVANIA BOATING ASSOCIATION

POTOMAC RIVER YACHT CLUBS ASSOCIATION

RECREATIONAL BOATERS OF CALIFORNIA

UNITED STATES POWER SQUADRONS

UNITED STATES YACHT RACING UNION

WISCONSIN BOATING ASSOCIATION

Advisory Members:

AMERICAN BOATING CLUB

AMERICAN SAILING ASSOCIATION

AMERICAN WATERWAY OPERATORS, INC.

ILLINOIS DEPARTMENT OF CONSERVATION
Division of Law Enforcement

NATIONAL MARINE UNDERWRITERS, INC.

RHODE ISLAND BOATING COUNCIL

Mr. Studds. Thank you very much, Ms. Finch.

Let me ask one question of you all. As you know—some of you have referred to it—the Treasury has for several years ignored a requirement in Federal law that they provide a firm estimate of the amounts derived from the Federal tax on motorboat fuel. The current estimate, which is based on a simple formula that may or may not have any relation to reality, is that the motorboat fuel tax rate is somewhere in the neighborhood of $72 million a year.

What I would like to know is whether any of you have any evidence, circumstantial or otherwise, that would indicate whether this estimate is roughly correct or dramatically incorrect and, if so, if you could provide the details of that for us. Generally, does anybody have any feelings about that one?

Mr. Stone. Yes. I have strong feelings that the amount of the revenue has been understated by our Treasury. This is based on independent studies that have been done at the State level in several very important boating States for purposes of determining how much State tax is collected on fuel used in boats for their boating safety programs.

We are finding that their studies consistently come in at 1 percent or better with an equivalent fuel tax rate. It suggests to us that since the gallonage consumption is the same, the tax revenues should be the same, and that our Treasury has understated the amount.

This can be documented by the studies that have been done in such States as California, Michigan, and Minnesota.

Mr. Studds. If you could provide or get hold of copies of those, I think the subcommittee staff would like to see those.

Mr. Stone. Yes, sir.

Mr. Studds. We are a little short on documentation.

[Due to its size, the material may be found in the subcommittee files.]

Mr. Studds. Does anyone else want to respond to that?

Mr. Stewart. I would just say that the National Association of State Boating Law Administrators would concur with Ron Stone on this. We have worked in conjunction with them and other groups in going after the studies. So, I would just concur with what he said, and we will help him get together any information you need.

Mr. Studds. I would just say for your information, we are today again sending a letter to the Secretary of the Treasury asking him to provide the study required by the Biaggi Act with respect to the amount of revenues raised by that tax.

Mr. Stone. Mr. Chairman, we are further concerned about the possibility of an imbalance in the Wallop-Breaux trust fund as it is constituted, recognizing that at the outset it was a compromise between boating and sport fishing groups.

Bear in mind that the motorboat fuel tax is the sole source of funding for the boating safety account whereas the sport fish restoration account is also funded by excise tax on sport fishing equipment and import duties on pleasure boats and yachts and fishing tackle. The amount of their fund has more than tripled since the inception of Wallop-Breaux whereas we are locked in at $45 million, and that is subject to annual appropriation without any guarantee of our receiving the full authorized share.

Mr. Studds. I understand. Let me just say that in the event that the Treasury Department is, for the umpteenth consecutive year, unable to respond to the letter, we may have to investigate some legislative ways to make some suppositions of our own. So, I am rather hopeful that they will find it possible to answer their mail.

Mr. Stewart, in your statement, you list all the States in which recreational boating fatalities have gone down since funding for State boating safety programs was restored. Could you provide the subcommittee with a complete list, including the States in which fatalities have increased? Also, can you tell us whether there has been an increase or a decrease nationwide?

Mr. Stewart. I understand from talking to the Coast Guard before coming to this meeting, it is going to remain somewhat the same as last year. So, there has been no increase or decrease from what I can understand within the last year. However, my account is only for 40 States that I am using statistics for here. We still have about 8 to 10 more out there that we are trying to get, and we could provide that as part of the committee hearing here.

Mr. Studds. We would appreciate that very much.

Mr. Stewart. So far, it is running about 50 percent of the States that we have information on in which they have made a noticeable decrease in fatalities. Then, we have had some that have just had a big surge. So, there are weather conditions and things of that nature.

[Material to be supplied follows:]

NUMBER OF BOATING FATALITIES

STATE	1983	1984	1985
Alabama	34	46	36
Alaska	11	18	not available
Arizona	15	9	6
Arkansas	15	8	11
California	95	93	76
Colorado	17	6	13
Connecticut	15	8	4
Delaware	4	0	2
District of Columbia	1	1	3
Florida	68	74	65
Georgia	36	13	29
Hawaii	3	8	6
Idaho	5	7	8
Illinois	17	39	33
Indiana	17	12	20
Iowa	11	6	9
Kansas	12	8	9
Kentucky	19	16	25
Louisiana	73	58	58
Maine	15	12	7
Maryland	26	24	17
Massachusetts	22	21	17
Michigan	56	40	48
Minnesota	24	24	25
Mississippi	39	38	44
Missouri	23	10	27
Montana	18	2	8
Nebraska	2	2	9
Nevada	10	4	3
New Hampshire	0	3	7
New Jersey	13	15	19
New Mexico	5	16	4

New York	50	41	57
North Carolina	37	32	36
North Dakota	2	4	1
Ohio	34	34	29
Oklahoma	17	6	18
Oregon	23	26	23
Pennsylvania	25	23	16
Rhode Island	4	4	8
South Carolina	41	35	17
South Dakota	5	6	1
Tennessee	29	26	23
Texas	86	64	67
Utah	16	4	4
Vermont	3	4	2
Virginia	32	22	19
Washington	32	29	36
West Virginia	10	7	6
Wisconsin	43	22	22
Wyoming	0	3	3

The 1985 figures are those reported by the States as of the date of the hearing. The Coast Guard, who is responsible for entering all reportable boating fatalities in the national data base, is presently corroborating all reports on file with the States for accuracy. The final statistics, as reported by the Coast Guard, will be issued following this review.

Mr. Studds. Thank you, sir.

Thank you all very much. We appreciate it, and we appreciate your patience in standing by in a fairly long day.

We come now to the sixth and final panel, Mr. Sheehan, Mr. Brunsell, and Mr. Kott, if you will come forward. We are ready now. We will begin with Mr. Sheehan of the American Bureau of Shipping. Mr. Sheehan.

STATEMENT OF KENNETH E. SHEEHAN, VICE PRESIDENT AND COUNSEL, AMERICAN BUREAU OF SHIPPING

Mr. Sheehan. Mr. Chairman, my name is Ken Sheehan, vice president and counsel of ABS.

I am pleased today to comment on the Coast Guard Authorization Act of 1986 and the possible inclusion therein of a provision to clarify Congressional intent with respect to delegation of vessel inspection to American classification societies.

A classification society such as the bureau is an organization formed to promote the protection of life and property at sea. Delegation to the bureau of certain Coast Guard functions pursuant to title 46, section 3316(c)(1) has been a very successful part of the national maritime safety program. This cooperative effort dates back to 1972 and has been steadily evolving in scope and effectiveness. It is but one of many areas in which, since the early part of this century, the bureau has been given express recognition by Congress to play a special role in U.S. merchant marine safety.

The privileged position of the bureau is predicated upon its being the only American classification society. In keeping with its quasi-governmental responsibilities, the bureau frequently reports to Congress concerning its activities.

Section 3316, by its terms, permits delegation only to the bureau or a similar U.S. classification society. This directive is clear on its face. Only American institutions are eligible and only if they share the key organizational features which distinguish the bureau from all other classification societies, features which are expressly imposed upon the bureau by law. By statute, the bureau must be a nonprofit organization and, just as importantly, must have active U.S. Government participation in its management, decision making, and policy making.

The term "United States" in connection with maritime law has been for many years a clear and unambiguous term. Under the Jones Act and related statutes and the implementing regulations of MarAd, the Customs Service, and the Coast Guard, it is clear that a minimum of 75 percent American ownership and control must vest in an entity which is seeking to be recognized as a United States entity for coastwise trading.

These stringent rules ensure that the U.S. merchant marine operates in the national interest and adheres to U.S. laws, including antitrust laws, equal employment requirements, the Foreign Corrupt Practices Act, and laws and regulations regarding trading with enemies of the United States. Thus, for example, the bureau maintains no office and conducts no activities in Cuba, Vietnam, or other hostile countries.

Non-U.S. societies certainly cannot honestly make that claim. In fact, within the last month or so, President Reagan's Executive Order 12543 caused us to break off negotiations for a substantial contract with Libya, and this contract was then awarded to one of the societies now asking to be recognized under OMB Circular A-76.

The intent of 3316 is unambiguous: to reduce or minimize fiscal and manpower burdens upon the Coast Guard in performing functions similar to those already performed by the bureau while maintaining the present high level of safety found on U.S. vessels. That goal has been, is, and will continue to be achieve through delegation to the bureau. Furthermore, to alter the law or distort its plain meaning so as to delegate Coast Guard functions to non-U.S. societies or their wholly owned or controlled subsidiaries would be contrary to both the fiscal and the safety objectives of delegation.

Delegation of safety functions to private entities is obviously a delicate matter. No entity can substitute itself completely for the Coast Guard where the security of American lives and property is at stake.

In recognition of this fact, the Coast Guard and the bureau have over the years painstakingly followed the steps necessary to ensure that the Coast Guard effectively retains its mandated authority in this area by means of detailed and continuous oversight of the bureau's operations and policy. While delegation saves the Coast Guard money, proper oversight of that delegation requires both funds and time of highly qualified Coast Guard personnel. Delegation to several classification societies would multiply this expense.

Loss of Coast Guard oversight means endangering lives and property on the high seas. Introduction of competition among societies in performing regulatory functions is an invitation to cut corners. Class fees amount to less than 0.4 percent of the cost of a vessel or marine structure. However, compliance with a classification society's rules can add massively to the construction cost of the vessel as the rule become more stringent.

Economically, many vessel owners could be hard put to justify the additional expense required to conform to the more rigorous standards and procedures of one society when another society may require less and yet offer the same certification. The recognized society with the lower standards can provide for the building of the cheapest ship regardless of how much it charges for its services.

It is imperative that vessel owners who insist on maintaining high safety standards not be economically disadvantaged vis-a-vis competitors that might be tempted to do less in order to save substantial costs.

In conclusion, the bureau believes that the language and intent of the law are clear and are being effectively carried out under the current delegation program. Permitting non-U.S. classification societies to perform Coast Guard functions would violate the letter and the spirit of the law. Coast Guard costs would increase at the very same time that Coast Guard oversight would decline. Marine safety standards would be jeopardized.

The Bureau believes it is unnecessary to modify the language of the statute. Thank you.

[Prepared statement of Mr. Sheehan follows:]

PREPARED STATEMENT OF KENNETH E. SHEEHAN

Mr. Chairman:

My name is Ken Sheehan, Vice President and Counsel of American Bureau of Shipping and I am pleased today to comment on the Coast Guard Authorization Act, 1986 and the possible inclusion therein of a provision to clarify Congressional intent with respect to delegation of vessel inspection to American classification societies.

A classification society such as the Bureau is an organization formed to promote the protection of life and property at sea. The Bureau develops rules which are a set of engineering standards for the construction and maintenance of marine vessels. With respect to particular ships presented for classification, the Bureau reviews plans to ensure compliance with its rules and conducts surveys to determine that the materials, equipment and the construction are in accordance with the rules and reviewed plans. Periodic surveys after construction are conducted to verify that the vessel continues to meet those standards. Additional activities of the Bureau include massive research and development in the fields of marine safety and the provision of information and assistance to vessel owners, ship builders, naval architects and government representatives.

Delegation to the Bureau of certain Coast Guard functions pursuant to Title 46, Section 3316(c)(1) has been a very successful part of the national marine safety program. This cooperative effort dates back to 1972 and has been steadily evolving in scope and effectiveness. It is but one of many areas in which since the early part of this century the Bureau has been given express recognition by Congress to play a special role in U.S. merchant marine safety. The privileged position of the Bureau is predicated upon its being the only American classification society. In keeping with its quasi-governmental responsibilities the Bureau frequently reports to Congress concerning its activities.

§ 3316 by its terms permits delegation only to "the Bureau or a similar United States classification society." This directive is clear on its face: only American institutions are eligible, and only if they share the key organizational features which distinguish the Bureau from all other existing classification societies, features which are expressly imposed upon the Bureau by law. By statute the Bureau must be a nonprofit organization, and just as importantly, must have active U.S. government participation in its management decision making and policy making.

The term "United States" in connection with maritime law has been for many years a clear and unambiguous term. Under the Jones Act and related statutes, and the implementing regulations of MarAd, the Customs Service and the Coast Guard, it is clear that a minimum of 75% American ownership and control must vest in an entity which is seeking to be recognized as a United States entity for coastwise trading.

These stringent rules ensure that the United States merchant marine operates in the national interest and adheres to United States laws including anti-trust laws, equal employment requirements, the Foreign Corrupt Parctices Act and laws and regulations regarding trading with enemies of the United States. Thus, for example, the Bureau maintains no office and conducts no activities in Cuba, Vietnam or other hostile countries. Non-U.S. societies certainly cannot honestly make that claim. In fact, within the last month or so, President Reagan's Executive Order 12543 caused us to break off negotiations for a substantial contract with Libya and this contract was then awarded to one of the societies now asking to be recognized under OMB Circular A-76.

The intent of 3316 is unambiguous: to reduce or minimize fiscal and manpower burdens upon the Coast Guard in performing functions similar to those already performed by the Bureau, while maintaining the present high level of safety found on U.S. vessels. That goal has been, is and will continue to be achieved through delegation to the Bureau. Furthermore, to alter the law or distort its plain meaning so as to delegate Coast Guard functions to non-U.S. societies, or their wholly owned or controlled subsidiaries, would be contrary to both the fiscal and the safety objectives of delegation.

Delegation of safety functions to private entities is obviously a delicate matter. No entity can substitute itself completely for the Coast Guard where the security of American lives and property is at stake. In recognition of this fact the Coast Guard and the Bureau have over the years painstakingly taken the steps necessary to ensure that the Coast Guard effectively retains its mandated authority in this area by means of detailed and continuous oversight of the Bureau's operations and policy. While delegation saves the Coast Guard money, proper oversight of that delegation requires both funds and the time of highly qualified Coast Guard personnel. Delegation to several classification societies would multiply this expense. To duplicate the procedures, relationships and mutual understanding which the Bureau and the Coast Guard have gradually established over decades of cooperative activity would require entirely new regulatory efforts. The need to interface with foreign classification societies would compound the problems. This would be expensive and inefficient.

Loss of Coast Guard oversight means loss of lives and property on the high seas. Introduction of competition among societies in performing regulatory functions is an invitation to cut corners. Class fees amount to less than .4% of the cost of a vessel or marine structure. However, compliance with a classification society's rules can add massively to the construction cost of the vessel as the rules become more stringent. Economically many vessel owners could be hard put to justify the additional expense required to conform to the more rigorous standards and procedures of one society, when another society may require less and yet offer the same certification. The competition that will result from a broader based delegation is not one of lower fees but lower standards because the recognized society with the lowest standards can provide for the building of the cheapest ship regardless of how much it charges for its services.

It is imperative that vessel owners who insist on maintaining high safety standards not be economically disadvantaged vis-a-vis competitors that might be tempted to do less in order to save substantial costs.

In conclusion, the Bureau believes that the language and intent of the law are clear, and are being effectively carried out under the current delegation program. Moerover, any dilution of the law's requirements to permit non-U.S. classification societies to perform Coast Guard functions would violate the letter and spirit of the law.

Coast Guard costs would increase at the very same time that Coast Guard oversight would decline. Marine safety standards would be jeopardized.

The Bureau believes it is unnecessary to modify the language of the statute. However, insofar as the existing language is believed to be ambiguous, the Bureau would support any change which reinforces the language so as to leave no doubt in anyone's mind regarding the intent of Congress to uphold safety standards, promote the national interest and promote maximum efficiency within the Coast Guard. This requires a truly AMERICAN classification society.

Thank You.

Mr. Studds. Thank you very much, Mr. Sheehan.

Mr. Brunsell of Det Norske Veritas.

STATEMENT OF PAUL BRUNSELL, REGIONAL MANAGER, USA, DET NORSKE VERITAS

Mr. Brunsell. Thank you, Mr. Chairman.

First of all, I would like to thank you very much for inviting us here today to participate in the meeting. Myself, I have never been to Washington before to such a hearing, and I find it very interesting. Det Norske Veritas certainly has never been here before, and we welcome the opportunity to comment.

Mr. Studds. You are more than welcome. We will try not to do it to you very often.

Mr. Brunsell. Perhaps you are referring to the length of the statement that we submitted, so I will try to keep my verbal comments very brief.

Mr. Studds. I appreciate that. Your statement will appear in its entirety in the record.

Mr. Brunsell. All right. In fact, I have just made a few brief notes listening to all the testimony. I have been here from the beginning. I had my own experience with the Coast Guard being rescued from Galveston Bay in a fairly life threatening situation in the middle of the night when a boat which, fortunately for my own involvement in marine safety I wasn't the captain of, ran aground and was severely damaged. We were rescued by Coast Guard helicopters and personnel, and I wrote later to the commandant and said that I had never seen such a professional and well-equipped group of people.

And I must say the same has been true of the all the workings that Veritas has had with the Coast Guard as regards merchant marine activity, approval of plans for vessels under construction, inspection, and so forth. That is talked about in detail in our formal submittal.

I think our argument, if you want to call it that, with the Coast Guard over a formal memorandum of understanding governing the delegation of Coast Guard responsibility to classification societies is documented in the papers that you have, but it basically stems from the fact that classification societies were formed—I guess if you go back to the very beginning, Lloyds was the first on in London in 1760 or something—in connection with insurance and by ship owners themselves who wanted ships to be built to a certain standard.

There are nine members of IACS which is the International Association of Classification Societies. Those members have to have rules that conform to a certain minimum standard. Each society can address certain technical problems in their own way, but basically the intent of the rules is the same.

Our basic argument, in a word, is that prior to 1981, when budget restrictions forced the Coast Guard to delegate some authority to ABS, the role of the Government was clear. In most countries of the world, the governmental safety organizations, whether it is the Coast Guard in this country or the Maritime Directorate in Norway or the Department of Trade in the UK, primarily look for marine safety where it comes to personnel, fire protection, pressure vessels, and so forth.

The classification societies, historically, are more concerned with the survival of the ship itself, the structure and the equipment that allows it to be propelled and to maneuver.

Of course, there has been an overlap, and that overlap led to the delegation to the ABS. The things that Mr. Sheehan has said I agree with completely. I think there are savings to be gained by delegation, and my point is that Det Norske Veritas can comply with all of the stipulations of the law as it now exists.

We argue basically for freedom of trade, competition, and reciprocity in other countries. We think that in most countries of the world, Norway, England, Germany, and so forth, classification societies compete with each other. Because of that competition, there is improvement in safety which is documented and can be argued.

Certainly, my experience has been as a naval architect and as someone who has spent time on ships that classification societies differ. They have different expertise. They do different research. At least three of them, Lloyds Register of Shipping in London, Det Norske Veritas, and ABS, are non-profit foundations owned by their shareholders, existing solely for the protection of equipment and life at sea. All of them are working toward the same goals.

I feel that the problem itself is being worked out right now. There is not as much of a problem as there was 2 years ago. The Coast Guard has been extremely cooperative in every case where we have cited a misunderstanding on the part of a ship owner as to his choices, whether he could class an American-flag vessel with Det Norske Veritas, the Coast Guard has said yes, of course you can. There have been some difficulties perhaps, but not severe.

So, the problem is well on its way to being solved, I feel, but I am glad I have the opportunity to submit what I have submitted and to make a statement, and I thank you very much.

[Prepared statement of Mr. Brunsell follows:]

PREPARED STATEMENT OF PAUL BRUNSELL

In considering the issue of delegation to other "American classification societies", the Coast Guard and other parties have raised a number of issues, including means to ascertain a societies competence and maintain oversight, what should be addressed in an MOU, consequences of surveyors working on Coast Guard's behalf being foreign nationals and its effect on national security, liability, reciprocity in terms of equal recognition of ABS by societies home governments, should Coast Guard join IACS, etc. As an international classification society, Det norske Veritas responded to the above questions in our formal reply to the Coast Guard ANPRM.

Det norske Veritas was founded in 1864 in Norway. DnV is an independent foundation with the object of safeguarding life and property at sea and ashore.

It provides classification, quality assurance and certification services for ships and other installations and carries out research relevant to such work. Veritas is also a member of IACS and is one of a small group of international classification societies.

The members of IACS are the nine classification societies that review plans and conduct inspection for virtually the entire maritime community. As a condition of membership in IACS each society's classification rules and practices are reviewed to determine if they meet generally accepted and proven requirements for construction of ships. The basis for the rule requirements may be somewhat different from society to society; however, and consideration of equivalency is applied.

Perhaps 50 years ago classification societies might have been characterized by their nationality, as indeed most ships were built within the country of ownership and much of the classification work related to local shipowners and ship builders. In later years, certainly in the last 25 years, shipowning and shipbuilding have become very much international and the major classification societies have assumed similar character.

DnV employees about 3,000 people with 200 offices worldwide. For reason of continuity of operation, understanding of local conditions and for economic reasons, DnV employees predominantly local engineers in the different countries where we operate. Other classification societies do likewise. Moreover, many of the key DnV management positions in these different countries are held by local people.

In 1981, in order to better serve our international clients, DnV established "resource centers" at selected locations around the world. One of these is our Houston, Texas office. These regional offices/resource centers are capable of performing a full range of classification services, although occasionally, specialist assistance on a temporary basis is provided from other regions, which of course include Norway. DnV is incorporated in the United States and we might mention has operated offices in this country since 1898. We presently employ 100 people within Veritas USA and another 70 people in a Materials testing subsidiary wholly-owned by Veritas. Of these employees only 5 are expatriates, the remaining are locals. Veritas maintains complete computer systems, files, manuals and backup information and has a wide range of engineering capabilities available for both design review and field surveys in the United States.

In pursuing equal treatment by Coast Guard, we note that delegation of Coast Guard actions to ABS has thus far involved new construction for the most part. As this takes place predominantly in the Far East, one might wonder whether the emphasis should be on the "U.S. Classification Society" label, as opposed to the international capabilities, coupled with U.S. presence of a ship classification society. Obviously the U.S. presence and knowledge of Coast Guard is important since U.S. flag vessels must meet Coast Guard rules.

We would also note that Veritas is probably more active in the international oil and gas sector than any other class society and that we have been working with U.S. oil companies, oilfield equipment manufacturers and the American Petroleum Institute for a number of years.

In this work and in work on ships and drilling rigs, we have become very familiar with American codes and standards such as ASME, ASTM, ANSI, IEEE, API, AWS etc. We note this because many of the standards referred to in the Coast Guard CFR's relate to standards other than ship classification societies own rules. This is important when Coast Guard considers delegating work to a classification society since in addition to its rules for construction of vessels and the training and quality control of the work of its surveyors; their familiarity with standards utilized by the Coast Guard, is as important as the societies rules themselves.

On October 2, 1985, the Coast Guard solicited comments from industry as to how to define "A U.S. Classification Society". We submitted a response to this advance notice of proposed rule making (ANPRM) which is submitted for the record. Part II of this submittal states many of our arguments in favor of recognition of "additional U.S. classification societies."

We would today elaborate on five points which were either only covered briefly in our response to the ANPRM on 2 January 1986 or are recent occurrences. These points are as follows:

I. A Larger Pool of Eligible Classification Societies Will Promote U.S. Interests

A larger pool of eligible classification societies will promote U.S. interests in three ways:

First, this plan will provide a freedom of choice for owners and builders of U.S. flag ships. As the nature of vessels subject to Coast Guard inspection becomes increasingly complex, the opportunity to choose the society with experience for a particular vessel type, and the necessary technological back-up and research facilities, becomes more important.

Second, technological advances will be spurred as increasingly sophisticated ship builders seek solutions for their evolving needs.

Third, the proposed steps promote broader international economic goals of the United States. As the United States and its service industries press foreign trading partners in bilateral and multilateral negotiations to open their borders to U.S. services, the United States can offer a healthy competitive example in expanding the scope of services purchased within its own borders.

A. The Proposed Delegation Permits Shipowners A Freedom of Choice

Congress clearly contemplated a degree of competition in the Coast Guard's delegation to classification societies when it revised the U.S. shipping statute in 1983 (see attachment for details).

"Competition" in this case means the freedom for shipowners and shipbuilders to choose the classification society with the technical competence and experience that best suits their needs. By increasing the number of authorized classification societies, the owner can choose that society which has the most to offer in specific design and survey services offered.

B. Technological Advances Will Be Spurred by Increasing the Pool of Classification Societies

A second and important benefit arising from increasing the pool of classification societies in the United States will be the boost in technological development there and elsewhere in the world. First, by participating in advisory committees and through close cooperation with new classification societies, the Coast Guard and U.S. industry will be exposed to the advanced technological tools used by DnV and other classification societies. With such new knowledge the Coast Guard will be in a position to influence the use of new technological tools in all classification work.

These infusions of new ideas will also boost technology because, as one classification society incorporates technological advances into its standards and procedures, others will be motivated to do the same to remain competitive. DnV has frequently been in the forefront in establishing principles for the evaluation and best possible utilization of new technology. One well known example is that DnV acted promptly as soon as it became technologically feasible to operate a ship's machinery by automatic and remote control, automation and instrumentation. DnV established its so-called E-O class, making it possible to leave the engineroom unmanned for extended periods. This standard has led to the development of similar standards by other classification societies. DnV also led in developing standards for such other new technological systems as Dynamic Positioning Systems, Fire Fighter Systems, Mooring Positioning Systems, and LNG Cargo Containments Scantlings.

C. More Open Access to the United States Will Promote U.S. Trade Policy

The U.S. government and particularly this Administration is firmly committed to liberalizing international trade. In this connection, the U.S. Government has in recent years begun pressing its trading partners to open their borders to U.S. service industries. President Reagan has instituted a trade action against Korea to open Korea's borders to U.S. insurance firms. On the broader international scale, the United States has argued forcefully that the world's central trade treaty, the General Agreement on Tariffs and Trade ("GATT"), should be expanded to require free trade with respect to services. These rules would require a trading nation to treat foreign service industries in the same way it treats domestic service industries.

The one classification society to which the Coast Guard now delegates authority to perform that service is ABS. There are, however, several other classification societies of international standing that provide similar services for a majority of the world's merchant marines. The Coast Guard has accepted the classification of those other societies on a case-by-case basis, but to date has delegated that authority (subject always to Coast Guard review) only to ABS.

In this respect the United States is out of step with its own pronouncements and the practices of its trading partners. Norway, for example, is open to this service industry and recognizes several classification societies, including ABS. (ABS has had a memorandum of understanding for classification of ships with the Norwegian government since 1965.) By opening its doors to this service industry, the United States can, while enhancing its own industry, make a clear statement to the world that it does in fact believe in free trade in services.

II. DnV and Coast Guard Work Closely Together

Cooperation between Coast Guard and Det norske Veritas is excellent. The effect of Det norske Veritas not having a memorandum of understanding with Coast Guard is more insidious as noted in III below. We have not seen a single example of poor cooperation on Coast Guard's part. Generally Coast Guard have indicated their willingness to work with Veritas and their desire to be fair and support competition where classification questions are concerned. A few examples of close cooperation between Coast Guard and Veritas are:

a) AMERICAN CORMORANT conversion. In May of 1985, the American shipowner, American Automar of Washington, D.C., purchased the Norwegian flag heavy lift vessel FERNCARRIER and were successful in obtaining a charter with the Military Sealift Command. The chartered vessel acts as part of the Navy's rapid deployment force. This vessel is a specially constructed vessel designed to enable her to ballast down and float cargo onto her main deck. She then deballasts so that cargo is transported dry on the main deck. This vessel was built and has operated with DnV class.

In order to comply with Navy requirements, the vessel underwent some modifications in Jacksonville, Florida. During this work the ship's name was changed to AMERICAN CORMORANT and the flag changed to that of the United States. The owner decided that maintaining Veritas class was to his advantage. While there was considerable pressure put on him to convert to ABS, this pressure did not come from Coast Guard and the vessel is now in operation with U.S. flag and Det norske Veritas class.

During the conversion to U.S. flag, the Coast Guard Merchant Marine technical office in New York made a thorough review of the design approvals previously done by Veritas. This review was done in close coordination with personnel from our New York office. The conversion progressed very smoothly and the vessel sailed on schedule. The conversion in Florida was surveyed by surveyors from our Miami station and, once again, things went along very smoothly. The Coast Guard personnel in New York, Jacksonville, and Washington, D.C. were all most cooperative. Without this cooperation I am sure Veritas would not have succeeded in maintaining class on this vessel.

b) There have now been 9 U.S. flag mobile offshore drilling rigs built abroad with U.S. flag, Coast Guard approval and DnV classification. These are as follows:

- 3 semi-submersibles built for Global Marine in Finland.
- 2 jackup rigs built for Global Marine in France.
- 2 semi-submersible built for Sonat Offshore Drilling in Japan and 2 semi-submersibles being built for Sonat in South Korea.
- There are options for 4 additional rigs in South Korea.

During the plan approval phase for the construction of these rigs there was a close working relationship between the Coast Guard offices in New Orleans, New York and Washington and the local Veritas office in the United States, in particular the Houston Regional office.

When a vessel or rig is to be constructed, the shipyard prepares construction drawings and submits these to the classification society for comments. The classification society has considerable experience in the design and construction details of these vessels and contributes actively to delivering a product which satisfies the client's and Coast Guard's requirements. As the U.S. Coast Guard is also approving construction of these rigs, our approved drawings were submitted to Coast Guard for their review. To my knowledge, Coast Guard made very few comments to Veritas approved drawings.

In addition, the actual construction of the rigs was attended by the Veritas and Coast Guard surveyors and all indications from both Veritas surveyors and Coast Guard are that the construction supervision and quality control went very well. Based on this work, Coast Guard has now formally approved DnV rules for construction of mobile drilling rigs. Coast Guard has also delegated crane certification and load line certification to DnV.

c) In 1985 we discovered that some U.S. shipowners had a misconception of the procedures to be followed when purchasing a foreign flag vessel and changing flag to United States. Many of these owners felt that in the course of reflagging they could obtain Coast Guard approval more easily by simultaneously changing the classification of such vessels to the ABS. We brought this problem to the attention of Coast Guard and they clarified that Coast Guard approval related to reflagging was not delegated and therefore the procedure would be identical whichever classification was involved.

d) In early 1985 an offshore support vessel owner in Texas considered building a large offshore support vessel in Florida. While this project did not materialize for contractual reasons, the design was selected and meetings held with the designer, the owner and the shipyard. The vessels were to be U.S. flagged and the owner desired to use DnV as the classification society. The owner specifically asked how the shipyard and ourselves could cooperate with Coast Guard and the Coast Guard spelled out a procedure which was acceptable to all concerned. In this case, as in all others, the Coast Guard have indicated they are willing to work with all class societies and they would certainly not recommend a particular class society.

e) Marine Transport Line placed a contract for 2 car carriers at Sumitomo Heavy Industries in Japan. The owner indicated a desire to consider DnV and Lloyds Register of Shipping, in addition to American Bureau of Shipping, as possibilities for classing these vessels. Coast Guard indicated they would do everything possible to ensure that the various class societies receive equal treatment. Coast Guard specifically indicated to ourselves and to the shipowner that there would be essentially no cost differential as far as Coast Guard was involved regarding choice of class society. The fact that ABS class was finally selected is discussed further below but from our view, Coast Guard was completely impartial in assisting the shipowner.

f) DnV operate a Ballast Training Simulator for semi-submersible drilling rigs. This facility was designed and built after some accidents had occurred on such rigs. The basic aim of the Simulator is to provide a realistic environment for training rig operators. This training facility Simulator can simulate a variety of accidents and the rig operator must operate the rig so as to maintain its stability. This Simulator is in our Houston office and many of the U.S. drilling contractors and oil companies have sent personnel to be trained. The Coast Guard has also attended training sessions and have accredited this program.

g) In general there has been close cooperation between Veritas technical staff and Coast Guard technical staff. Coast Guard have attended many of the seminars given in Houston. These seminars have covered many subjects including materials behavior, failure analysis and subjects related to design and analysis of drill rigs.

III. The memorandum of understanding between Coast Guard and ABS can result in the exclusion of class societies, other than ABS, competing on U.S. flag new construction projects.

The exclusive memorandum of understanding delegating certain Coast Guard responsibilities to ABS gives the ABS a major advantage in maintaining a near monopoly regarding classification of U.S. flag vessels. When Coast Guard delegates approval authorities to a private company such as the ABS, the ship owner then pays for this service. The fact that most ship owners have selected the ABS to do this delegated work, indicates the owners preference for expediting matters in this way. The question of whether governmental agencies should delegate to private companies at all is a good one but economics have frequently required such delegation. If however practicalities require such delegation, the key to maintaining appropriate safety levels lies in the training and the control of quality of the surveyors performance. Competition has in many cases improved the services of all classification societies and would do so in the U.S. Competition forces improvement in service.

Examples of a defacto monopoly situation arising due to the exclusive MOU between Coast Guard and ABS are:

a) Our experience in recent years that shipyards in Japan have frequently indicated much higher prices for classing particular U.S. flag ships or rigs with DnV as compared to ABS. Several rig owners have noted that the price difference quoted by these yards cannot possibly be due to differences in society rules or practices. While it is true that Veritas practice might require more on-site surveyors during construction or more nondestructive testing of welds, for example, the price differences quoted for a DnV class rig versus an ABS class rig are such that they must reflect some misunderstanding on the part of the shipyard. These rig owners indicate that they expected that a rig classed by Veritas would be somewhat more expensive but that the costs related to classification differences as quoted by the builders was perhaps three or four times larger than what they expected. A Japanese shipyard is quite far from Washington, D. C. With the existence of the ABS Coast Guard MOU it may well appear to the builder that ABS is the only practical course to take.

b) As noted earlier, Marine Transport Line placed a contract for a car carrier at Sumitomo in Japan. The ship owner was considering three classification societies because Lloyds and DnV have considerable experience with this particular type vessel. As already noted, Coast Guard did their best to explain that the shipowner could choose class society without any major Coast Guard related cost penalty.

In the final negotiations of the construction contract, the shipyard insisted on using ABS as the classification society. The ship owner has indicated that the yard were very concerned that costs related to Coast Guard would be far greater with any society other than ABS. The owners own calculations showed lower costs of class society services utilizing DnV over the first five years of vessel operation. Nevertheless, for practical and commerical reasons, the owner agreed with the shipyards choice of classification. The hidden effect of the Coast Guard/ABS MOU is that shipyards appear to believe that the American Bureau of Shipping and the American Coast Guard are somehow related. When the shipyard is trying to close the contract, introducing other class societies thus appears to them an unnecessary complication.

c) Det norske Veritas is very active in cold climate technology and have classed a number of vessels and rigs operating in the Arctic environment, either in Northern Europe or in Canada. In the Alaskan Arctic, the American Bureau of Shipping has had a monopoly on classification. For example, the "use of CONTINENTAL Shelf orders for Alaska" published by the U.S. Department of the Interior Minerals Management Service in November 1982, indicates that mobile drilling units shall have "current American Bureau of Shipping classification, U.S. Coast Guard Certificate of Inspection, or other appropriate classifications, with operational limitations."

There is sufficient technical complexity involved in Arctic design and construction that the Coast Guard will probably not accept significant delegation of their authority for this area of operation. Nevertheless, we have seen at leat one example where the Coast Guard/ABS MOU seems to have contributed to a misunderstanding.

The Dome Petroleum subsidiary, Canmar, converted a large tanker to a "single steel drilling caisson" (SSDC). This drilling vessel rested on an earth foundation and operated in Canada for some years. Veritas provided full classification service to Dome during its operation in the Canadian Arctic.

Recently Dome arranged to charter this rig to an American drilling contractor and it was offered for drilling contracts in the Alaskan Arctic. In discussing the use of this vessel with two U.S. oil companies and the American drilling contractor, it was indicated that they felt it necessary to deal with ABS since it would simplify matters with Coast Guard. If this had been a rig "in service" problem, Coast Guard involvement would have been identical regardless of class society. However the use of the SSDC in Alaska specifies a steel mat being designed to replace the earth foundation. Thus the project was treated as a major conversion for which ABS could perform Coast Guard approvals.

The Canadian owner indicated a preference for maintaining DnV class but was unable to do so due to pressure exerted from the United States.

d) When a U.S. flag vessel is being constructed abroad with classification other than ABS, the USCG strongly recommends that all communication between themselves and the yard goes through a "Single Point Contact" in the United States. DnV has acted as this Single Point contact for two projects.

Such a procedure is not a bad arrangement but the yard or the owner has to pay the Single Point Contact for that service and the communication is somewhat slower since one additional link is added.

Due to budget cuts, the USCG has less technical and clerical manpower available. This inevitably must slow down the plan review as well as the response time for general requests. The exclusive Coast Guard/ABS MOU allows ABS to eliminate this problem by doing many approvals themselves.

e) We have reason to believe that foreign shipyards and shipowners are under the impression that there will be no involvement on the part of U.S. Coast Guard if ABS is used as the class society. The existence of the exclusive MOU would probably support this impression. In fact, Coast Guard does retain certain critical functions such as approval of firefighting and fire prevention systems, etc. and an oversight capacity on all delegated work.

f) Several U.S. ship owners have told me privately that they recognize the technical superiority Veritas enjoys with respect to certain ship types. They go on to say that if they were building a foreign flag vessel, they would give Veritas "serious consideration" for classing the vessel but that for U.S. flag it is far easier to deal with ABS in order to "minimize difficulties with Coast Guard."
While there should be no difficulties in building a U.S. flag vessel with any class society, the opinions of these

U.S. owners are of paramount importance since they normally choose the classification society. Clearly the psychological effect of an exclusive MOU has a role in this.

g) In recent weeks a shipowner advised us that he would have to pay a substantial premium to use DnV rather than ABS as the classification society for a U.S. flag vessel to be ordered in Korea.

We believe all the class societies are working toward the same goal. ABS in all likelihood will continue to class the majority of U.S. flag vessels. I feel however that a Coast Guard MOU with other international classification societies would indicate to the U.S. owner that he is in fact free to choose and take advantage of that classificiation society which gives him the best value for his vessel.

IV. Costs related to Coast Guard recognition and oversight of classification societies other than the ABS will not be excessive.

a) First I would like to restate the comments made in our response to the Coast Guard ANPRM. These are quoted below:

> "The initial review of a society's rules, monitoring new rules and other oversight functions, it is argued, will cost the Coast Guard more. DnV cannot disagree that the new delegation will cost more initially, but the real question is whether the benefits to owners of U.S. flag ships outweigh some small cost increase and whether increased marine safety will not save the Coast Guard money in the long run.
>
> To analyze this issue, it is important to delineate the scope of the additional work that would be required of the Coast Guard. The procedure proposed by the Coast Guard would not result in a flood of new societies. The requirements of U.S. incorporation and non-profit status will as a practical matter mean that only two or three new societies will be involved.
>
> While we agree that the Coast Guard should review a society's classification rules, this task is lightened by two facts. First, the Coast Guard can presume that a society's rules provide an accepted level of safety when

the society is a member of the Internatioal Association of Classification Societies ("IACS"). Membership in IACS is predicted on maintaining rules that are universally recognized as providing a fundamental level of safety. IACS issues guidelines for safety and its members work to formulate new rules and new standards of safety. Moreover the Coast Guard has already contracted with a consultant to review and compare the classification rules of the other classification societies. More important, the vast majority of the standards that must be used in the plan review and inspection are standards that are incorporated in the Code of Federal Regulations ("CFR"), not a society's classification rules. These CFR standards are uniform and convenient for the Coast Guard to administer. Thus, while a society's classification rules are important as a measure of the degree of care practiced by that society, the standards at issue in many cases are the uniform CFR rules.

Accordingly, while the proposed delegation can result in an increase in costs to the Coast Guard, the costs when analyzed are not significant and are well justified by the benefits they create. The inevitable consequence of competition and freedom of choice will be enhanced marine safety -- safer ships and safer rigs -- and the Coast Guard has to be the beneficiary of the resulting reduction in maritime accidents, with their attendant search and rescue operational costs to the Coast Guard.

Opponents of the concept of competition for this service suggest that classification societies will reduce their standards to attract business, thus leading to a decline in safety. Experience and logic suggest otherwise.

Competition in the rest of the world is common and has not resulted in a demonstrable decline in safety. This is demonstrated by the chart (attached as Exhibit I) prepared by the Liverpool Underwriters Association which documents the ship loss ratios for the world's shipping nations. The chart demonstrates that there is not any correlation between countries with a high degree of loss and countries which promote competition. In fact the loss ratio for the United States (.22) is higher than that for some countries which permit competition, e.g., Canada (0.2); the Netherlands (.07); or Norway (.03).

In our experience, competition has resulted in an

> increase in safety. For example DnV has today one of the strictest safety standards for certain advanced types of vessels as well as for mobile offshore units. It is therefore likely to be more expensive for the owners to have their units classified by DnV rather than by another classification society.
>
> Notwithstanding, in this highly competitive market, DnV enjoys a larger classification share than most of the other major classification societies. This result is far from the decline in standards predicted by opponents of competition. Moreover this positive experience with competition makes practical sense. Unsafe ships are bad economics for the shipbuilders, owners and the classification societies. As experience suggests, shipowners (who most often designate the classification society in the shipbuilding contracts) are interested in a vessel that is operational. The cost is vastly greater if the ship does not work, or is lost. Shipowners know this and choose their classification society accordingly.
>
> Unsafe ships are bad economics for the classification societies as well. Like many service industries, classification societies compete on the basis of quality. A miserable safety record is an embarrassment to a classification society because it simply will not inspire the confidence necessary in the world's shipping markets to effectively compete.
>
> As set forth above, the Coast Guard's initiative to delegate certain, defined responsibilities to additional classification societies is a positive step that will benefit the U.S. shipping industry. It will afford the owners of U.S. flag vessels a choice, promote technological development, enhance U.S. trade and is a realistic acknowledgement of the international aspect of the classification service. The objections raised by ABS and others are insubstantial and heavily outweighed by the benefits. Accordingly, we urge the Coast Guard to pursue its initiative and implement this program as rapidly as possible."

The above is contained in our ANPRM response. Since then Veritas has agreed with Coast Guard that we will undertake a comparison of our ship rules with those of the American Bureau of Shipping. As noted earlier, this comparison has already been accomplished for mobile drilling rigs. The

Houston office of Det norske Veritas has started work on this ship rule comparison and will be working closely with Coast Guard. There are two additional points which may be relevant to the cost question.

b) Classification societies typically improve their services when they are forced to compete. All classification societies have introduced some services but our experience has been that competition spurs such activity. Veritas has been the leader in certain areas which include unmanned engine room classification, classification of drilling equipment, classification of dynamic positioning systems for deep water offshore operation, classification rules for mobile drilling rigs and classification for chemical carriers.

The U.S. as a whole will benefit from the increased competitiveness of U.S. ship owners having access to the best technology available. DnV carries out considerable research which is shared with our clients. Ship owners would undoubtedly select that classification society with the best technology available for a particular ship type.

c) In addition to competition improving overall safety and thus decreasing costs related to safety/quality level, there is another point to consider. Even if Coast Guard does not sign a MOU with other class societies, it is probable that some owner will select Veritas to class a U.S. flag vessel. This has already happened for 9 drilling rigs. It is our feeling that the Coast Guard may expend several manyears in reviewing Veritas rules and giving approvals in connection with a single rig project. After these 9 rig projects, the Veritas mobile rig rules have been accepted by Coast Guard. We believe that the oversight costs connected to a general recognition of Veritas rules and signing a formal MOU would be less expensive then proceeding on a case-by-case basis.

V. DnV Quality Assurance requirements for our ship and rig related activities will ensure the quality of work performed on behalf of Coast Guard.

As noted in our response to the Coast Guard ANPRM, a classification society cannot reduce the quality of its services in the face of competition. If it were to do so it would soon have no business at all. All classification societies are independent bodies acting to maintain safe operation of vessels, but most importantly they are recognized in this role by shipowners, shipyards, financial institutions, the insurance industry, ship charterers, etc. The insurance industry in particular is very aware of the safety promoting efforts of the various classification societies.

In addition to improving safety and minimizing costs related to the Coast Guard monitoring of classification societies (which we have already commented on), we believe that the benefits of delegation of Coast Guard authority to DnV far outweigh these costs. We feel that the single most important factor in successful delegation of safety enforcement is the Coast Guard's ability to satisfy themselves that the classification society is able and willing to carry out the tasks assigned. DnV has long realized that the quality of the entire safety effort is affected by the weakest link. Veritas has a quality program but of more importance has been enforcing this program for some years and budgets a substantial amount for training, tool development and internal auditing of our operations. We might add that we have also been audited by outside bodies such as ship owners, rig owners and oil companies.

The key elements of our quality assurance system are as follows:

- Veritas quality assurance requirements for ship activities document overall objectives, organization, personnel training and qualifications, documentation, experience feedback, audits, non-conformance and corrective action. The implementation of these systems is required at all Veritas offices worldwide.

- The Veritas surveyor qualification scheme requires all surveyors to meet certain specified requirements. This includes mandatory attendance at Veritas Training Center courses with examinations at course conclusion. Surveyors are authorized only to perform work for which they have been individually qualified. Senior surveyors have more experience and have attended more advanced training courses.

- The Veritas Newbuilding Management and Administration Instructions have been reviewed with the Coast Guard. It documents in detail all steps, approvals, inspections, etc. required to build a vessel. It is a tool of ship's newbuilding projects as regards maintaining technical quality.

The Veritas Quality Assurance program will assist Coast Guard in reviewing our knowledge of and ability to enforce the regulations noted in the Coast Guard CFR's.

We thank you very much for giving us the opportunity to comment today.

Mr. STUDDS. Thank you very much. I appreciate it.

Mr. Kott on behalf of the International Association of Drilling Contractors, welcome.

STATEMENT OF GARY KOTT, PRESIDENT, GLOBAL MARINE DRILLING CO., ON BEHALF OF INTERNATIONAL ASSOCIATION OF DRILLING CONTRACTORS

Mr. KOTT. Thank you, Mr. Chairman.

I am president of Global Marine Drilling Company in Houston and testifying today as chairman of the Offshore Committee of the International Association of Drilling Contractors.

I am going to likewise be brief in my comments here as you have the written testimony, I think, on file, and would like to address the issue of expanding the classification society usage by the U.S. Coast Guard and also two other issues which we feel should be brought before your esteemed committee.

The first issue concerns the broader use of U.S. and foreign classification societies to carry out the inspection duties now handled exclusively by the Coast Guard. The U.K. and Norway and other countries accept the usage of classification societies in their stead in safety areas. In particular, the U.K. and Norway have real complex, highly evolved sets of regulations which the classification societies have proven to be capable of applying during the inspection of our mobile units.

The details of the IADC's experience and opinion of the way in which these societies and the ABS have carried out the duties assigned to them under its memorandum with the Coast Guard is covered by my predecessor in October before your committee. However, we would like to urge the subcommittee to allow the Coast Guard inspection of U.S.-flag mobile offshore drilling units through the expanded use of other third party inspectors such as the DNV and Lloyds. By following this internationally accepted course, the United States would help to preserve jobs on our drilling units and preserve jobs actually from the inspection firms.

The great majority of our U.S. rigs are ABS classified, and ABS does a wonderful job. I am on the board of the ABS, so I in some ways am knowledgeable of what they do. However, many of our other vessels are classed by DNV and by Lloyds. The vessel owners who have their rigs classified by these other societies incur a great amount of efficiency by using the classification society that originally classed the rig, such as DNV or Lloyds or ABS, for that matter. So, there is a great deal of efficiency if we can use these other societies.

In this era of protectionism which is going on throughout the world, and I am sure you are aware of that, we feel that continued U.S. exclusion of highly regarded technical competent non-U.S. classification societies may result in the ABS being excluded from other countries internationally. We are quite concerned about that, because we want to have the flexibility to use ABS in the Far East and in the North Sea when we can.

The second issue I will mention concerns what the IADC feels certain is an unintended impact on the status of bottom bearing mobile units due to the 1983 recodification of title 46. Under the

Seagoing Barge Act as it existed prior to the 1983 recodification, bottom bearing drilling units were vessels only when they were floating or being towed between locations.

The Coast Guard's chief counsel has interpreted the language in the new definition of vessel in the recodified title in such a way that an elevated jackup drilling unit that might have as much as 100 feet of leg buried in the mud and the drill floor 50 feet above the ocean as a vessel. This is serious, in our view.

A review of the legislative history of the recodification does not reveal any congressional intent to drastically change the status of MODUS which are not floating. Neither the House nor Senate reports contain any reference to an intention to impact the status of MODUS.

It seems that the new section was simply meant to combine different definitions found in several laws. Clearly, the Coast Guard's interpretation of the language in the new section substantially alters the application of the then-present law with regard to elevated jackups or bottom supported drilling barges.

We have communicated with the Coast Guard, in fact, in September of this year, and the Coast Guard would not reconsider our position. Therefore, we are urging your committee to take appropriate action to restore the legal status of bottom bearing units to that found in the old 46 U.S.C. at the time of the recodification.

My final point concerns a recent Coast Guard assertion that all personnel on MODUS may need to obtain merchant mariner's documents. Under the 46 U.S.C. 8702, everyone who is not a passenger is deemed to be part of the crew and must therefore carry merchant mariner's documents. However, this language predates the existence of our industry and also that which includes such units as pipe laying barges on which most of our personnel or industrial personnel have nothing to do with the maritime function of the unit.

The Coast Guard has never required industrial workers on the mobile units to carry merchant mariner's documents. Since 1968, the Coast Guard regulations have contained a definition of "industrial personnel." The Coast Guard's definition follows the international trend to recognize that it is unrealistic to continue to try to impose a traditional two-category system, that is, of the passenger and crew type, to vessels where it doesn't fit the facts which is in our industry.

A few very concise amendments to these regulations could update the U.S. statutes so that the Coast Guard's 1968 regulations would have a basis in law.

The IADC is urging that the Coast Guard Subcommittee take action to add language clarifying the definitions on industrial personnel, mobile offshore drilling units, and mobile offshore units.

I very much appreciate the opportunity to come before your subcommittee and would like to offer the help of the IADC wherever you deem appropriate.

[Prepared statement of Mr. Kott follows:]

Prepared Statement of Gary L. Kott

Mr. Chairman, my name is Gary Kott. I am President of Global Marine Drilling Company of Houston, Texas and am testifying today as the Chairman of the Offshore Committee of the International Association of Drilling Contractors (IADC).

I will address three subjects in my testimony today. The first concerns the broader use of U.S. classification societies and perhaps other internationally recognized classification societies to carry out inspection duties now handled exclusively by Coast Guard personnel.

The Committee on Merchant Marine and Fisheries recently rejected the idea of imposing user fees on the industries and private citizens who utilize Coast Guard services. Those of us in the offshore drilling industry have to pay for Coast Guard personnel to travel overseas to carry out inspections mandated by U.S. law and regulations. In effect, we already pay a "user fee." It is a fee which at this critical time in our industry's history, we can ill afford to pay because it is just one more cost that we have to pay that our non-U.S. flag competitors do not incur.

The United Kingdom, Norway and other countries accept the results of inspections done by the ABS and other internationally recognized classification societies. In particular, the U.K. and Norway have complex, highly evolved sets of regulations which the classification societies have proven to be capable of applying during the inspection of mobile offshore drilling units under their flag or drilling in their outer continental shelves.

On the domestic scene, the approximately 4,000 fixed offshore structures being used in the recovery of oil and gas were designed, fabricated and installed under a third party inspection program under the supervision of the Minerals Management Service (MMS). The qualifications of the certifying organization are reviewed by the MMS, thus reducing drastically the manpower requirements and budget of that agency. The program has worked very well for many years.

The details of the IADC's experience with and opinion of the way in which the ABS has carried out the duties assigned to it under its memorandum of understanding with the Coast Guard was covered in some detail by my predecessor as Chairman of the IADC's Offshore Committee during a hearing before this Subcommittee last October. Therefore, I will conclude this part of my statement by urging the Subcommittee to pursue the idea that Coast Guard management of the inspection of U.S. flag mobile offshore drilling units could be made more efficient while remaining effective in promoting safety through the expanded use of third party inspectors. By following this internationally accepted course, the United States would help to preserve jobs on

U.S. flag drilling units but would also tend to preserve the ability of the ABS to do inspections for the U.K. and other countries. The great majority of U.S. flag and U.S. owned mobile offshore drilling units are classed with the ABS. In this era of protectionism, we fear that continued U.S. exclusion of highly regarded, technically competent non-U.S. classification societies may result in ABS being excluded from its present role internationally. Every possible step should be taken to avoid that very adverse situation from becoming reality.

The second issue I will mention concerns what the IADC feels certain is an unintended impact on the status of bottom bearing mobile offshore drilling units due to the 1983 recodification of Title 46 of the United States Code.

Under the Seagoing Barge Act, as it existed prior to the 1983 recodification, bottom bearing drilling units were vessels only when they were floating, or "in navigation" being towed from drilling location to drilling location. The Coast Guard's Chief Counsel has interpreted the language in the new definition of "vessel" in the recodified Title 46 in such a way that an elevated jackup drilling unit with 100 feet of its legs buried in the mud and its drill floor 50 or more feet above the water is a "vessel."

A review of the legislative history of the recodification of Title 46 does not reveal any Congressional intent to so drastically change the status of MODU's which are not floating.

Neither the House nor the Senate Reports contain any reference to an intention to impact the status of mobile offshore drilling units. The House Report (No. 98-338, at page 121) explains the use of the new term "operate" in terms of activities or phases of a voyage of a self-propelled vessel. It seems clear that new Section 46 USC 3301 was simply meant to combine the differing definitions found in several different laws. On page 137 of the House Report, we find the following statement:

> This revision gathers into one section (Section 3301) of the law, all classes of vessels that are subject to inspection and certification without changing the application of present law as to any one class of vessel. The revision does not alter the application of the present law so as to expand inspection requirements to any vessel not presently subject to inspection nor to remove from inspection any vessel that is presently subject to inspection.

Clearly, the Coast Guard's interpretation of the language in new Section 3301 substantially alters the application of the then "present law" with regard to an elevated jackup or a bottom supported drilling barge on location and violates the status quo intent of Congress.

Since the Coast Guard has rejected a September 6, 1985, IADC request that they reconsider the position set forth in their Chief Counsel's memorandum of June 6, 1985, we urge the Merchant Marine and Fisheries Committee to take appropriate action to restore the legal status of bottom bearing units to that found in the old 46 USC at the time of recodification.

My final point concerns a recent Coast Guard assertion that all personnel on mobile offshore drilling units may need to obtain merchant mariners' documents. Under 46 USC 8702, everyone who is not a "passenger" is deemed to be part of the "crew" and must, therefore, carry merchant mariners' documents.

The language of 46 USC 8702 predates the existence of the modern mobile offshore drilling unit and other mobile offshore units such as pipe-laying barges which have most of their personnel involved in purely industrial functions.

The Coast Guard has never required industrial workers on mobile offshore drilling units to carry merchant mariners' documents. Since 1968, Coast Guard regulations have contained a definition of "industrial personnel" (46 CFR 90.10-15). The Coast Guard's definition follows the international trend to recognize that it is unrealistic to continue to try to impose the traditional, two category system to new types of vessels where it doesn't fit the facts. A few, very concise, amendments to 46 USC 2101 and 46 USC 8701 could update the U.S. statutes so that the Coast Guard's 1968 regulation would have a basis in law.

The IADC urges that the Coast Guard Subcommittee take action to add the language of the 1968 Coast Guard definition on "industrial personnel" 46 USC 2101. Definitions of "mobile offshore drilling unit" and "mobile offshore unit" may also need to be added to 46 USC 8701(a) which already contain a list of vessels on which merchant mariners' documents are not required. The definition of "mobile offshore drilling unit" is found in 46 CFR 107.11 and that of "mobile offshore unit" could be taken from Chapter I of the International Convention for the Safety of Life at Sea (1974).

I appreciate this opportunity to participate in your hearing and stand ready to answer any questions you may have. Should you find merit in any of our suggestions requiring legislative action or work with Coast Guard officials, the IADC pledges to provide experts or any otherinput you deem appropriate.

Mr. STUDDS. Thank you, sir. I appreciate that, and I thank you all for your longer written statements.

Let me ask Mr. Brunsell, and perhaps you, Mr. Kott, would like to respond as well. The ABS, in commenting to a recent Advance Notice of Proposed Rulemaking, argued that delegation to additional classification societies—and I now quote from the ABS—"would foster competition among classification societies, creating a dangerous incentive to cut corners in the inspection process. Owners could shop around for that society which least effectively discovers expensive defects in a vessel."

Would you care to comment on that point?

Mr. BRUNSELL. Yes, sir, I would. I think that is a fairly weak argument, myself, because if you look at the history of classification societies, they are continually—first of all, they were founded in connection with the insurance industry, and the insurance financial industry is very aware of the activity toward safety on the part of all the classification societies, and they all do participate jointly in trying to eliminate substandard ships, for example.

My experience has been to the contrary that ship owners and rig owners, as Mr. Kott is, particularly the better ones, are very concerned with safe ships and safe rigs. Big companies like Exxon and Global Marine are continually saying could you please be sure that you watch the standard or some of the substandard ships and rigs. They are not concerned with how much they pay. I forget who made the comment that classification might be .4 percent of the cost of constructing a rigorous ship.

Under those circumstances, what the classification society is doing is performing a quality assurance service to be sure that things are done properly. The choice, the memorandum of understanding, my feeling is that ABS would continue to class the vast majority of U.S. ships because they are larger, they did so prior to 1981 when the MOU with the Coast Guard was solved, but the logic is such that why should an owner not be able to choose that class society which is best able to do a good job for him on a particular ship in a particular shipyard.

I can easily envision a case, let's hope for the good of the merchant marine, that things could get so busy that there could be so many ships ordered in Japan that there would come a point where ABS did not have the top quality surveyors available for all of these projects, and an owner might want to select Lloyds or DNV or somebody else.

The existence of an exclusive MOU makes it appear, certainly to the Japanese shipyards and to the owners, too, that it is a difficult thing to do. It almost looks to the observer who is not directly involved that he doesn't have a choice but to class with ABS. He does have a choice, but he thinks he doesn't. That has been my point.

Mr. STUDDS. Mr. Kott, did you want to speak to that subject?

Mr. KOTT. I would add a little bit to that. First of all, we have had experience with DNV and ABS bidding for jobs, particularly on the initial classification of rigs in shipyards. Their bids are not materially different. In fact, as has been pointed out, they are not material to the whole project.

The key thing is not the price of the bid. So, for example, in the Scandinavian shipyards, we have felt that DNV would have a better knowledge of their particular welding methods, their construction methods, the language barrier is not a problem in a Scandinavian yard when you use Det Norske Veritas.

So, we have 34 drilling rigs, 32 of which are U.S.-flag. By far, the majority are U.S.-flag. Six of those are DNV classed, and the rest are ABS classed. But we chose the DNV not because of the bid but because of the particular area and a particular construction mode that the DNV we felt to be superior.

We do not feel that having highly professional societies like the DNV and the ABS bidding against each other—it is really not a factor in our decision. It has to do with who can do the best job in the particular area.

As an example, on the other side of the world in the Far East, we prefer to use the ABS because they are, in our opinion, more highly entrenched and have a better organization over there. Perhaps in the North Sea in certain countries, we might prefer to use the DNV, particularly on vessels that were already DNV classed.

That is the flexibility that we need. It has nothing to do with the price.

Mr. STUDDS. Thank you, sir.

Mr. Sheehan, I want to give you an opportunity to respond if you want to speak up on behalf of the quotation in question. Also, the ABS does, does it not, inspect vessels on behalf of other governments that rely primarily on their own classification societies, including Norway? If that is the case, aren't you really asking us to maintain some kind of a double standard?

Mr. SHEEHAN. With respect to Norway, it is my understanding that we have been consistently refused by the Norwegian Maritime Directorate to be given the broad based recognition that DNV seeks here. They have not put us on any of the lists of authorized societies. For us to do work in the Norwegian sector of the North Sea, for example, we must, on a case-by-case basis go to the NMD. For other parts of the statute, perhaps loadline regulations and the like, yes, I think we are recognized.

Mr. STUDDS. In your list with these colored things here, Norway is listed as granting you two of the——

Mr. SHEEHAN. Right, and loadlines, I believe, with respect to ships, but with respect to rigs, absolutely not.

Mr. STUDDS. But there are many other countries that do, are there not?

Mr. SHEEHAN. Yes, there are.

Mr. STUDDS. I didn't mean to focus specifically on Norway. I meant are you not in general asking us for something of a double standard by maintaining exclusivity in this country?

Mr. SHEEHAN. Well, when you are talking about a double standard, I think you have to look at the costs of being an American society, and it does add tremendously to our costs. We are subject to litigation here in the United States. Let me give you two examples.

With respect to the *Ocean Ranger*, a tragic loss of a drill rig that occurred a couple of years ago off the Canadian coast, we have been involved in litigation now for the last—well, since the rig went down. We have already spent over $2 million in legal defense costs. There was absolutely nothing structurally wrong with that rig. She went down strictly because of crew error, and there is no question about it.

With respect to a similar rig—actually, it was a quarters platform, the Alexander Kieland which was a DNV classed rig that went down in the North Sea—that was strictly structural failure with a rig that had been on overdue surveys and should perhaps have been brought into drydock before the casualty took place. DNV, fortunately, and fortunately for us, too, since we are in the same insurance pool, was not even brought into the litigation.

So, they don't have the costs involved.

We have been approached by the West German police to warn us to take all of our signs off the doors because we are subject to terrorist attacks. They don't have to worry about that type of thing. We are supposed to put television security in.

We are forced to comply with all U.S. regulations including turning our back on major contracts because they happen to involve transfer of technology to enemies of the United States. The other societies are fully able to trade in these places, to take advantage of it, to make profits there and use those profits to support their own ends.

So, I am not asking that we be given any kind of an advantage over anyone. We are operating at a disadvantage to begin with. I am saying this is not an opening for equal competition, because if they retain the inherent Americanism required by the statute, then they would be subject to all of these difficulties. The mere formation of an American subsidiary is not enough.

Also, IACS is mentioned, the International Association of Classification Societies. I don't know where you would want to draw the line. Certainly, I think we would all have to admit that the Panama Bureau of Shipping would not meet the requirements of any reasonable vessel owner with respect to the type of work they do. If you want to draw IACS into it, then you are talking about Russian Register, Polish Register, and several others.

My point is, where do you draw the line? I think it has to be drawn at the Americanism point.

Mr. STUDDS. That is an interesting approach to international competition. What was it you said at the beginning of your remarks about Vietnam and Cuba? I didn't catch that.

Mr. SHEEHAN. We are not permitted by law—it is a crime for us to maintain an office in Havana in Cuba or in Vietnam or in any of the other places that are listed as enemies of the United States. The foreign societies that are seeking to get into doing U.S. Government regulatory work do, in fact, trade regularly there and have offices. If you like, I could submit——

Mr. STUDDS. No, I understand. I wasn't clear in what context you had mentioned that. Thank you.

The gentleman from Kentucky.

Mr. HUBBARD. Thank you, Mr. Chairman. I apologize for being late. I knew of these three witnesses being panel six for today.

I spoke in my district to the Propeller Club of Paducah, KY, on February 14, and we discussed at length some of the issues that are the subject of the hearing today. I have not had a chance to read in its entirety H.R. 4028 which was introduced—when was that introduced?

Mr. **Studds**. You may not be alone in having not read that bill in its entirety. It was introduced last Thursday.

Mr. **Hubbard**. As I understand it from my staff, it is primarily concerned with three main issues, money, boating safety, and contracting activities, and it is important that the Coast Guard receive an adequate and appropriate level of funding. As a Kentuckian, I am on this Committee on Merchant Marine and Fisheries mainly because of the Coast Guard interest. The shipping industry in my district is bigger than one would think in that I represent Kentucky, but my district is bordered by the Mississippi River, the Ohio River, the Green, the Cumberland, and the Tennessee Rivers. We are concerned with your industry.

Going back to what Mr. Sheehan was saying prior to your questioning him, Mr. Chairman, why shouldn't the Congress allow and even encourage competition in this area? Mr. Sheehan?

Mr. **Sheehan**. I would be pleased to answer that, Mr. Hubbard.

Mr. **Hubbard**. Why shouldn't the Congress allow and even encourage competition in this area?

Mr. **Sheehan**. As I pointed out in my previous remarks, the competition we are talking about is not competition with respect to pricing of services. You are talking about competition of standards. As I just mentioned to the chairman, where will you draw the line? Will you draw it at members of IACS? Does that mean you are going to allow Russian Register to set up a subsidiary here and do that type of work?

Let me give you an example of the type of standard differences. In about 1981, ABS put into its rules with the concurrence of the Coast Guard a requirement to add auxiliary power to the steering gear of a ship if the main engine failed. This was to be an IACS requirement for 2 years later, but we put it in immediately. This, of course, improved the safety of the ship, assuming that there was a failure.

The Japanese shipyards started quoting a $50,000 surcharge for ABS classed vessels to add this equipment to the ship. This applied to all ABS classed vessels, not just to U.S.-flag. Many of the ABS classed vessels trade in and out of the United States, so the commerce in and out of the United States was, in fact, protected a little bit more because of the stringent requirements of ABS, but the people using ABS class were required to pay an extra $50,000.

This is what I am talking about. If you are going to increase competition, we are going to have to compete by lowering our standards to the point where our ships cost the same as the competing societies. I think that is a mistake. Safety will suffer.

Mr. **Hubbard**. Mr. Brunsell.

Mr. **Brunsell**. I just have a point. All along when I got in this argument, I am surprised that ABS doesn't really accept the argument and say yes, let's get on with it, because ABS was competing on the same basis that we are asking for now prior to 1981 and doing very well.

Some of the points that Mr. Sheehan made about the litigation costs, we certainly are aware of them. We are being sued in Florida over a ship that ran aground. Obviously, if we are to operate under a memorandum of understanding with the Coast Guard, we will be covered by the same risks, if you will like to say, of operating in the United States.

Mr. Sheehan has a good point about the recognition by the Government of Norway, the NMD, the National Maritime Directorate. My understanding—he may have his understanding—mine is probably not totally up to date, either, but I believe up until some point, perhaps it was 1983 or 1984, the agreements under which DNV operated in Norway, Det Norske Veritas and ABS were the same.

We were granted a broader agreement governing mobile drilling rigs, and ABS has not yet been granted this agreement, and I cannot speak for the Norwegian Government. However, I have talked to them, and they have said that they have absolutely no reason not to grant ABS the full authority to do everything that we can in Norway. In fact, they were watching this very question. They wanted to know how the United States Government was going to treat a Norwegian company in the United States.

The other point raised about the Russian register and about Vietnam and Cuba, et cetera, if a proviso of being acceptable was that we wouldn't do any business with these countries, I don't think we would have any problem because we don't have offices there, I don't believe. We don't earn any money there. Cuba is officially within my responsibility and I refuse to trade with them because it is a waste of time and I just won't do it.

The Coast Guard themselves have put forward some suggestions as to how they would decide what classification societies to deal with, and I think these are adequate. You certainly wouldn't recognize the Polish register or the Russian register. They aren't international. They only work within their own boundaries, for the most part.

If you required companies to be nonprofit foundations, to have a presence in the United States, to do the various things the Coast Guard was seeking, I think you would narrow it down to perhaps two or three at the most of other classification societies that could compete with ABS. And as I said at the beginning, I think ABS would still be very, very successful, and I think they would benefit from competition, as would we.

Mr. **Hubbard**. Do the three of you consider it important that a classification society performing delegated functions be organized on a nonprofit basis, and, if you do, why?

Mr. **Brunsell**. Myself, I don't really. I was a consultant engineer until 3 years ago when I joined Det Norske Veritas, and the reason for the nonprofit is to remain independent of all outside influences. You are not owned by shipowners, you are not owned by shipyards, you are not owned by banks. It does put a pressure on ABS and on ourselves and Lloyds in that we can't issue stock. So, when we need money, we have to basically have some reserves.

I sometimes laugh about the nonprofitability. We obviously try to operate and earn an operating profit, because if we don't, we can't operate next year. We have no other sources of revenue.

Obviously, I should accept it, because what I would consider the three main contenders to do work for Coast Guard are all nonprofit foundations, Lloyds, ourselves, and ABS. But my own personal opinion is a company operating for profit could probably do the same.

Mr. Hubbard. Mr. Sheehan, do you have a comment?

Mr. Sheehan. I would have grave difficulty with recognizing profit making organizations. As far as I know, Bureau Veritas from France and Germanisher Lloyds are stock companies that distribute profits to their shareholders. The statute specifically requires that we have no stock and pay no dividends. That is the specific wording of the statute.

In addition to that, we are an exempt organization under 501(c)(6). If we were to enter into competition with a for-profit organization, the regulations say that we are not entitled to keep our tax exempt status. Loss of our exempt status would not increase any revenue to the United States because we would wind up paying taxes overseas and the foreign tax credits would wipe out any potential tax we would pay in the United States.

Again, I think the profit motive is one that would again foster cutting corners. The use of our funds is to foster marine safety. We do a lot of studies which are listed in my written presentation. You will see the amount of funding we put into marine related safety projects. We undertake projects for the National Transportation Safety Board and other organizations.

To allow those profits to be generally distributed to shareholders I think would be a mistake, and it would allow siphoning off of these funds that could be used for public safety.

Mr. Hubbard. Mr. Kott, any comments on that?

Mr. Kott. I agree with what they both said.

Mr. Hubbard. Lastly, Mr. Sheehan, as vice president and counsel of the American Bureau of Shipping, how does the Coast Guard oversee the Bureau's performance of delegated functions and why couldn't it oversee several class societies?

Mr. Sheehan. As you are aware, the commandant sits on our board of managers which is our executive committee and sets policy for the bureau. In addition to that, the Maritime Administrator sits on that same policy making committee.

Our memoranda of understanding—there are two of them now—call for Coast Guard oversight. In addition to that oversight, we formed our own in-house survey audit team as a result of on-going dialog with the Coast Guard. Our people go out and ensure that our surveyors are doing a proper job by unannounced visits to these ships.

The oversight function of the Coast Guard is such that they must send people to do a similar type of thing. You have to send surveyors out into the field to look at this type of work. They have to be able to review plans. They have to have dialog with us. They must sit on our committees to help develop the engineering standards.

This takes time, effort, money, and personnel. Obviously, the more societies that are recognized, the more personnel that is going to be required, the more followup surveys, the more committee attendances by the Coast Guard. So, it will in fact put a strain on them.

Mr. Hubbard. Thank you.

I don't have a question for Mr. Brunsell or Mr. Kott, but I would like to say to Mr. Gary Kott, who is here as president of Global

Marine Drilling Co. on behalf of the International Association of Drilling Contractors, that in the past I have supported the efforts of your industry to bring more energy independence to this country. I am aware of the environmental concerns, and I guess if I represented a district in Massachusetts or California, I would have more constituents writing me about the environmental concerns than I do in western Kentucky about the offshore drilling in California, Louisiana, Massachusetts, New Jersey, and North Carolina.

However, I do continue to hope that our country can benefit from the efforts of your organization to bring about more exploration and production of oil and gas on the offshore and, further, that our country can benefit from the tax dollars that we receive in this time when we are looking at our $2 trillion debt and our need to reduce spending and/or raise revenue or do something to bring down the deficit.

I thank the three of you for being before our Coast Guard Subcommittee today.

Thank you, Mr. Chairman, for the chance to participate.

Mr. Studds. You are most welcome. The gentleman from Alabama.

Mr. Callahan. Thank you, Mr. Chairman, and forgive me for being late and pardon my redundancy if you had asked these questions. It is almost assumed in this committee that if there is an intelligent question to be asked, you probably will already have asked it.

Mr. Studds. Thank you.

Mr. Callahan. Mr. Sheehan, in your testimony in discussing the impact on the bureau of the President's Libyan sanctions, you mentioned that another society took on certain contractual work which the bureau was required to forego due to the President's order. Which society was that?

Mr. Sheehan. This is with Libya?

Mr. Callahan. Yes.

Mr. Sheehan. It is my understanding that that contract was awarded to Lloyds Register of Shipping, the society from the United Kingdom.

Mr. Callahan. In what other hostile countries do they operate?

Mr. Sheehan. They list in their international directory Cuba and Vietnam. In fact, I have excerpts from the international directories of various of the societies. If you would like, I would be pleased to submit them for the record showing offices in Cuba and Vietnam. It is Bureau of Veritas, Lloyds Register, Det Norske Veritas, and the Japanese society, NKK, and I would prefer not to try to pronounce the Japanese.

Mr. Callahan. Could they continue or could it continue to do so if permitted to perform Coast Guard functions?

Mr. Sheehan. My feeling is that they should not be allowed to.

Mr. Callahan. But I mean under this bill could they continue to perform the services?

Mr. Sheehan. My feeling is the statutory wording that now exists is very clear, to be able to receive this delegation from the Coast Guard, one must be an American society. How can one be an American society and be trading with enemies of the United States? How can one be an American society when you are transferring technology gleaned from doing work on U.S.-flag vessels to enemies of the United States?

A classification society receives information in reviewing plans and drawings and attending at shipyards. This information is then passed through its network to other employees of the classification society. So, there is definitely a transfer of technology.

My feeling is that if the control of the entity applying for this recognition rests with a foreign organization that is doing business with the enemies of the United States, it should not be allowed. They may have an American subsidiary saying they are as American as apple pie, but it is mock apple pie. In substance, there is no apple there.

Mr. **Callahan**. Are there significant operational differences between ABS and other existing classification societies?

Mr. **Sheehan**. There are, and it is very difficult for us to determine the organizational nature of the other societies. We have been desperately trying to find out about Lloyds Register since we have a tax problem in the United Kingdom.

One of the clear differences between ourselves and the other societies is we are operating under the U.S. tax laws and the laws governing not-for-profit organizations in the United States. Our competition from overseas is not burdened by that type of regulation.

Det Norske Veritas has a design agency which we are totally forbidden to do. They will handle the design of a ship or a rig, they will handle the owner's representative work, and do the classification work.

We feel there is an inherent conflict of interest in trying to do those three separate functions. You cannot be an independent organization doing classification work and act as an owners representative who is an advocate of an owner to try to get the most out of a shipyard and, at the same time, act as the design agent and come up with a design for the vessel. How can you design it and review it and sign off on it all at one time? We feel that is a major organizational difference between ourselves and the foreign societies.

Mr. **Callahan**. Thank you, Mr. Chairman.

Mr. **Studds**. Mr. Sheehan, I don't want to prolong this, but you didn't use the phrase as American as apple pie with respect to Lloyds Registry, did you?

Mr. **Sheehan**. I was talking about American subsidiaries of foreign societies.

Mr. **Studds**. And I assume you do not mean to contend that the mere fact that someone does business with a country you don't like may render them professionally incompetent?

Mr. **Sheehan**. Absolutely not. I would never say that.

Mr. **Studds**. Or unpatriotic, for that matter?

Mr. **Sheehan**. No, of course not. Their national interests are different from ours.

Mr. **Studds**. Because I notice that in your magnificent publication here, you boast of doing business, as you well should, around the world. I see the People's Republic of China, I see Iran, I see Poland and Romania, South Africa, the People's Democratic Republic of Yemen. There are a number of folks here with whom I assume you are not totally comfortable.

Mr. **Sheehan**. I would prefer not to go there.

Mr. STUDDS. This is your publication, not mine.

Mr. Brunsell.

Mr. BRUNSELL. I just wanted to say I think this sort of red herring, if you want to call it that, in talking about countries where we operate is getting a little off base and waving the American flag. Det Norske Veritas in the United States is almost all American, all our employees. We are as American as anyone in this country and are dedicated to the good of the country.

You know, the principle that we are talking about here is the delegation of planned review and inspection oversight of a vessel being constructed. Those vessels are almost all constructed now in the Far East or in other countries where it is cheaper. They are worked on by foreign nationals in the shipyards that are building them. They are worked on by ABS surveyors and our surveyors who are nationals of those countries. ABS doesn't have Americans working in the—they have some, but they have many Japanese working in Japan and Koreans in Korea and so do we.

It is an international business. We are competing internationally, and I don't know—you know, trying to cite that somehow because the Russian Register is a member of IACS that somehow it is going to be a threat to national security to have a Norwegian or British classification society working on a U.S.-flag ship—don't forget, at this point, it is only during construction.

The delegation of loadlines and other surveys in service are done by classification societies by hundreds of countries, almost all the members of the IMO, the U.N. based organization.

So, I think there are one or two issues which are addressed in the formal submittal which I made. The key issue is where does the Coast Guard get the money. Mr. Sheehan referred to that. How do they oversee other classification societies?

I think the cost is minimal, and I think that in any case the Coast Guard is forced to oversee people like us, because we have classed now nine U.S.-flag rigs and quite soon, I am confident, one way or another, we will be classing some U.S.-flag ships. So, the oversight problem is there, but that is addressed in my statement. I don't want to on forever.

Mr. STUDDS. You have never found yourself accused of un-Norwegian activities, have you?

Mr. BRUNSELL. No.

Mr. STUDDS. But you do think, as I understand it, that there is a red herring in the apple pie, or was that in the Yorkshire pudding? [Laughter.]

Mr. BRUNSELL. Perhaps right. I think the only comment that I could make is that I wish—I think competition is very good. I wish that the business that we are in, shipping and oil, were doing a little bit better so we could have more to compete over.

Mr. STUDDS. That is a good note to end on, if everybody is ready. Thank you again, gentlemen, for your patience. I know it is, as I say, later than you had probably planned on. I appreciate your testimony very much.

The subcommittee stands adjourned.

[Whereupon, at 2:27 p.m. the subcommittee recessed, to reconvene subject to the call of the chair.]

[The following was received for the record:]

AMERICAN BUREAU OF SHIPPING

STATEMENT FOR

Hearings of

SUBCOMMITTEE ON COAST GUARD AND NAVIGATION

on

Coast Guard Authorization Bill

25 February 1986

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Appendix A

INTRODUCTION

American Bureau of Shipping (ABS) is a ship classification society and has long been honored to perform specific vessel inspections and examinations on behalf of the Coast Guard. Citing the wording of 46 U.S.C. 3316, the Coast Guard has recently raised the possibility of delegating these same functions to other classification societies which qualify as "a similar United States classification society". ABS believes there is no "similar United States classification society" in existence at this time, that Congress was and remains fully aware of this, and that §3316 is clear on its face and requires no explication. Any extension of the discretionary delegation provided for in §3316 should parallel previous delegations. Moreoever, at this time, delegation to other organizations would further strain the Coast Guard's budget.

The following pages contain an analysis of the phrase "a similar United States classification society" and an analysis of the effects of expanded delegation.

A SIMILAR UNITED STATES CLASSIFICATION SOCIETY

"A"

The first indication of Congressional intent arises from the simple article "a". It is our belief that the framers of the legislation considered the possibility that ABS might cease to exist some day as an entity. In that event delegation to a comparable society might be desireable. Had the framers envisioned many different delegations, the singular would have been dropped and replaced with a term such as "any" or "all" and the word "society" might then have been pluralized. Nor were the framers ignorant of the existence of other societies. All of the classification societies which have commented on the Coast Guard rulemaking existed in 1983 when §3316 was enacted and many of them existed in 1920 when language analogous to §3316(c)(1) was first enacted. If Congress had a definite delegate in mind when it enacted §3316, it was most likely a new American society which might come into being in the future.

"SIMILAR"

The word "similar" engenders discussion of all the small particulars that separate one organization from another. Rather than catalog minutiae, it is appropriate to weigh similarity by the attributes mentioned in §3316(b): "an organization having no capital stock and paying no dividends" and accepting two government representatives as active members "on the executive committee of the Bureau."

By specifying an organization having no capital stock and paying no dividends, Congress has indicated its preference for not-for-profit organizations. The reasons for the preference are well founded:

a. To eliminate the profit motive and thereby increase integrity in the performance of independent functions;

b. To enhance the credibility and integrity of U.S. certification and render it consistent with the practice of foreign governments;

c. To avoid delegating what is essentially a governmental function to commercial profit oriented organizations;

d. To avoid the possibility that manufacturers or other interested parties might qualify to certify their own products or designs; and

e. To insure that any surplus of fees charged over expenses incurred to be used for research and development related to the protection of life and property at sea.

The very concept of profit is an anathema to the purposes of government safety inspections and regulations; profit by its very definition is the reward for risk-taking by an entrepreneur. The greater the risks successfully undertaken the greater the profit. Certainly the Committee cannot contemplate rewarding an entrepreneur for taking risks by cutting corners in enforcing the regulations of the United States. Only an organization which marshalls all of its resources towards the public and benevolent purposes of the development and promulgation of safety standards should be recognized to exercise for and on behalf of the Government of the United States the administration of standards upon whose impartial application depend the very lives of those who go to sea in ships. Moreover, subsidiaries of foreign classification societies, which may be considered not-for-profit in their country of origin, pay dividends to the parent companies for use not only in their marine safety programs but in fostering commerce and providing technical assistance to countries including those designated by statute and regulation as enemies of the United States.

The required acceptance of two government representatives as active members of the executive committee of ABS arises from the recognition of the importance of the ABS committee system and the advantages derived from it. ABS committees and membership are composed of individuals from industry (shipowners, shipbuilders, marine underwriters, naval architects, marine engineers and others prominent in marine related fields) and government. These individuals serve without compensation. Through specialized committees ABS is continuously in touch with developments in every technical and scientific area relevant to marine safety. The committee system involves Government and all segments of industry in developing ABS rules. The Coast Guard participates in the activities of 16 ABS committees. The Maritime Administration is also involved with a number of committees. This assures that ABS rules are impartial, authoritative and of the highest technical caliber and that they are accorded the widest respect. U.S. government participation in this process keeps the society's rules consistent with government regulations.

The management of ABS is vested in the Board of Managers, drawn from the ABS members, with the addition of two government representatives as specified in §3316(b). An essential element of any "similar" society should be a committee system with real authority and the active participation of U.S. government representatives at the highest levels of that system.

"UNITED STATES"

It would not be possible to create another classification society so innately American in character as ABS. From its inception in 1862 ABS has been American, and has pursued distinctly pro American purposes. ABS was created by the American maritime community and later nurtured by Congress to promote American interests in an environment dominated by foreign maritime interests.

Moreover, ABS is answerable to the United States Government in ways no other classification society and few private organizations are answerable. For 66 years the United States Government has directly participated in the management of ABS. In addition, Congress for decades has required testimony from and overseen the activities of ABS. ABS is governed by American law in all its affairs. Finally, ABS has a long record of effectively safeguarding sensitive plans and classified information important to the national security.

For a society with foreign affiliation plausibly to be considered American, far more than mere incorporation in the United States is required. Control must be firmly vested in American citizens loyal and accountable to the United States and free of all other loyalties incompatible with United States interests. This conforms exactly to citizenship tests applicable under numerous U.S. maritime and cabotage laws and regulations. For example, under the Jones Act, it is clear that a minimum of 75% ownership and control must vest in the entity which is seeking to be recognized as a United States entity for coastwise trading. In light of recent legislation and regulation restricting the activities of United States companies, the term must be expanded to include that the entity and all of its related entities remain in strict conformity with United States laws including anti-trust legislation, affirmative action requirements, the Foreign Corrupt Practices Act and legislation and regulations regarding trading with enemies of the United States. ABS maintains no office and conducts no activities in Cuba, Vietnam or other forbidden areas. Foreign societies certainly cannot honestly make that claim. In fact, within the last month or so, President Reagan's Executive Order 12543 caused ABS to break off negotiations for a substantial contract with Libya and this contract was then awarded to one of the societies asking to be recognized under OMB Circular A-76. In news interviews understandably upset returning American oil workers noted they were being replaced by workers from Norway. The absurdity of awarding substantial contracts to perform U.S. government services to such entities is patent.

"CLASSIFICATION SOCIETY"

A classification society is an organization formed to promote the protection of life and property at sea. In order to fulfill its purposes, the society develops rules which are a set of engineering standards for the construction and maintenance of marine vessels. With respect to particular ships presented for classification, the society reviews plans to ensure compliance with its rules and conducts surveys to determine that the materials, equipment and the construction are in accordance with the rules and reviewed plans. Periodic surveys after construction are conducted to verify that the vessel continues to meet those standards. Additional activities of a classification society include research and development in the fields of marine safety and the provision of information and assistance to vessel owners, ship builders, naval architects and government representatives. In performing these functions, the society amasses voluminous documentation which should be readily available to any government relying on its performance. In Appendix A there is a brief description of some of the major research projects totaling over $2 million ABS has performed or financed in the last several years. The cost of the studies performed directly at the behest of the United States Government agencies, such as the Coast Guard and the National Transportation Safety Board, exceeds $500,000.

COSTS OF EXPANDED DELEGATION

Those interested parties urging a broader delegation have often talked in terms of increasing competition among the classification societies. Class fees amount to less than .4% of the cost of a vessel or marine structure. However, compliance with a classification society's rules can massively add to the cost of the vessel as the rules become more stringent. For example, two years ago Japanese shipyards were adding a $50,000 surcharge for ABS ships because, at the request of the Coast Guard, ABS had added to its rules two years before the other societies a requirement for emergency power in the steering gear. This requirement was not only for U.S. flag ships but any ships built to ABS class many of which, although foreign flag, call on U.S. ports. The added requirement put ABS at a competitive disadvantage worldwide but improved the safety of maritime commerce in and out of the United States. The competition that will result from a broader based delegation is not one of lower fees but lower standards because the recognized society with the lowest standards can provide for the building of the cheapest ship regardless of how much it charges for its services.

Administration of a system involving two or more delegate societies would require the Coast Guard to establish rules, regulations, criteria and a bureaucratic apparatus to make consistent the procedures of the various qualified societies. This would tend to reduce performance standards to the lowest common denominator while requiring the Coast Guard to conduct frequent reviews of performance. It would also require the establishment of new institutional and bureaucratic relationships. By contrast, ABS has been performing inspection and review functions for more than 120 years. Formal procedures pursuant to Coast Guard delegation have been evolving incrementally for over 10 years. The institutional and bureaucratic relationships between the Coast Guard and ABS are still being defined. With competition, this process would have to be duplicated with all competitors and the value of the ABS/Coast Guard working relationship diluted. This additional administrative burden to the Coast Guard would be inconsistent with the primary objectives of delegation which are to reduce redundancy and cost.

The Coast Guard must assure the proper functioning of delegates on several levels. It is required to oversee a society's drafting of internal rules. It has to oversee a society's interpretation of Coast Guard regulations. It must ensure the integrity and efficacy of a society's actual execution of the inspection function. These oversight functions are successfully carried out vis-a-vis ABS. However, they require a significant commitment of competent personnel, and depend upon the existence of a high degree of mutual understanding and experience. Attempts to minimize the additional Coast Guard workload from new delegates will lead inevitably to a corollary result: reduction in the effectiveness of Coast Guard oversight.

CONCLUSION

We respectfully submit that for the reasons enumerated delegation of marine inspection and all related activities be restricted in accordance with previous legislation. We further request that contracting out of such activities under OMB Circular A-076 be restricted to the only United States classification society meeting the requirements of Section 3316 that is... **AMERICAN BUREAU OF SHIPPING.**

BACKGROUND

MANAGEMENT

American Bureau of Shipping is both a self-regulatory agency representing the maritime community and a quasi-governmental authority and is ultimately governed by the maritime community in concert with the United States Government. The Rules promulgated by ABS are widely applied and authoritative although ABS has no enforcement powers and classification with ABS is voluntary. The reason for their authority is that the Rules represent the consensus of the industry, reached through ABS committee meetings, on what is best for the entire industry not just a small segment of it. Industry experience and expertise are then translated into design, construction and survey standards through the agency of ABS. Moreover, most, if not all, policies of marine insurance as well as most charter parties require that a vessel owner maintain the ship in class with a major classification society.

The fact that American Bureau of Shipping is an impartial representative of the maritime community is underscored by the fact that management responsibilities are vested in a Board of Managers, 61 in number, elected from some 518 Members of ABS. The Members, and thus the Board of Managers, are composed of marine underwriters, shipowners, shipbuilders, government representatives, naval architects, marine engineers and other persons who are prominent in their marine field of endeavor. Of the Board of Managers, two Members are designated by the United States Secretary of Transportation. These members are the Maritime Administrator and the Commandant of the United States Coast Guard.

RULES

The Rules for Building and Classing Steel Vessels ("Rules"), the basic ABS standard, describes in detail modern engineering practices for the design and construction of commercial vessels. The Rules are established from principles of naval architecture, marine engineering and other engineering disciplines that have been proven satisfactory by service experience and by systematic analysis. Each edition is an embodiment of service experience and technological advancements developed since the first edition was issued in 1890.

The Rules are updated annually through a committee structure. American Bureau of Shipping committees are composed of individuals from industry and government, eminent in their marine fields, who serve without compensation. These committees permit ABS to maintain close contact with interests in various geographical regions and with various technological and scientific disciplines. The committee arrangement has the distinct advantage of allowing the Government and all segments of the industry to participate in developing the various Rules, thereby making them authoritative, impartial, and thus widely recognized and respected.

Besides the Rules ABS publishes other specialized volumes such as Rules for Building and Classing Offshore Mobile Drilling Units, Aluminum Vessels, Vessels Under 200 Feet in Length, Great Lakes Bulk Carriers and Single Point Moorings, to name just a few.

THE RECORD

In addition to establishing and administering Rules, another function of ABS, as stated in its Constitution and By-Laws, has been to keep a "faithful and accurate Classification and Registry of mercantile shipping." In fulfillment of this obligation the first edition of this registry was published in 1869 and was called the Record of American and Foreign Shipping, a title which for the sake of convenience has since been shortened to the RECORD. The 1986 RECORD gives the pertinent characteristics and additional information on over 19,000 merchant vessels, all ABS classed vessels or load line vessels.

FINANCES

The American Bureau of Shipping is a not-for-profit organization. It has no capital stock, no part of its income is distributed among its Members, and no ABS Member or Committee Member, who participates in the work of the ABS technical committees, special committees, or panels, receives compensation for his service. The American Bureau of Shipping is entirely supported by the fees charged to shipyards, shipowners and others who request classification services. It receives no funding from the government except the fees for surveys of individual government ships. Any excess of income over expenses in any one year is used to extend and improve services and for research and development.

OPERATIONS

The ABS personnel who perform the numerous daily activities related to the classification of vessels have diverse backgrounds. There are naval architects, marine engineers, electrical engineers, civil engineers, metallurgists, computer specialists, individuals with experience as seagoing engineers, and others with technical skills applicable to ship classification on the staff. Staff members are generally known as either engineers or surveyors, depending upon their duties. These can best be described through an explanation of the classification procedure.

CLASSIFICATION PROCEDURE

Classification is a four-step procedure involving technical plan review, surveys during construction, approval by Classification Committee, and subsequent periodic surveys.

When an owner first requests that his vessel be classed with

ABS, the shipyard submits the plans to the ABS technical staff for a systematic detailed review as to compliance with the Rules. To conduct such studies, ABS employs naval architects and marine engineers who scrutinize the vessel's hull and machinery plans to verify that the details conform in all respects to the requirements set forth in the published ABS Rules.

After a vessel's plans have been approved by the ABS technical staff, the next phase of classification begins -- the construction of the vessel under the vigilance of the ABS Surveyor in the field. Surveyors conduct continuous surveys of a vessel from "keel laying" to delivery to assure adherence to the Rules and to certify that the approved plans are followed. During the construction of a vessel built to ABS classification, Surveyors witness the tests of materials for hull machinery items at the place of manufacture or fabrication and survey the building of the hull, machinery, boilers and vital auxiliaries.

Having conducted a continuous survey of the vessel from the time of "keel laying" until completion, the Surveyor then attends the sea trials to assure that the vessel is in good working order and capable of performing in accordance with its plans. Upon successful completion of sea trials the vessel's "credentials" are presented to the ABS Classification Committee. The members of this Committee (authorities from the maritime industry, U.S. Coast Guard and ABS Officers) use their collective experience and recommendations from the ABS staff to perform a final assessment of a vessel presented for classification. If they are satisfied that the vessel complies with the Rules in all respects, the committee grants the vessel official ABS classification saying, in essence, that the vessel adheres to all the plan and construction requirements of the American Bureau of Shipping and, therefore, is fit to perform its intended service with security to life and property at sea.

To insure that the vessel is maintained in proper condition, ABS conducts periodic surveys after the vessel is put into service. These periodic surveys are a necessary condition for retaining classification status. If it is found that the requirements of the ABS Rules are not met, the Surveyor will require appropriate repairs in order to satisfy those requirements. By meeting the requirements of the periodic survey the vessel continues to be "in class."

SURVEY STATUS SYSTEM

ABS has been quick to use computer technology to the advantage of the marine industry. Computer programs assist in design analysis and hull structural evaluation. As an outgrowth of its chartered purpose of collection and dissemination of information on marine subjects, ABS has implemented a computerized Survey Status System. The System permits rapid access to survey particulars on any ABS-classed vessel. As of 1 January 1986, 44 ABS offices were equipped for direct access to the central computer file in New York. ABS has also made this program available to shipowners, thus permitting those who subscribe to have direct access to records of surveys performed and required for their vessels.

STATISTICS

As of 1 January 1986, there were 13,788 vessels totalling 172,109,713 deadweight tons under ABS classification. Of these 13,788 vessels, 7,628 are U.S. flag. In addition, at that time, there were 753 vessels totalling 7,967,023 deadweight tons contracted to be built or being built to ABS classification. Of these 753 vessels, 169 vessels of 975,255 deadweight tons are being built or are to be built in the United States.

STAFF

ABS employs 275 exclusive engineers, 37 research engineers, 16 computer specialists and 570 exclusive surveyors who are located in 140 exclusive offices around the world. In addition, ABS has 79 non-exclusive offices. ABS is represented in a total of 96 countries.

FOREIGN GOVERNMENT RECOGNITION

Numerous foreign governments have delegated duties to ABS in recognition of its expertise in marine construction and repair.

In fact, many other major maritime powers do not have government agencies similar to the United States Coast Guard, but instead rely on one of the major classification societies to act as their representative. The Republic of Liberia has actually designated ABS as an agent for the purpose of surveying Liberian flag vessels for compliance with the International Convention on Loadlines, 1966; the International Convention on the Safety of Life at Sea, 1960; Liberian Tonnage Regulations; and various I.M.O. Codes and Resolutions.

80 foreign governments authorize ABS to issue Load Line certificates, 62 foreign governments authorize ABS for Tonnage Admeasurement and 57 foreign governments authorize ABS to issue either wholly or in part Safety of Life at Sea (SOLAS) certificates.

PARTICIPATION IN NATIONAL AND INTERNATIONAL ORGANIZATIONS

As part of its commitment to marine safety, ABS shares its experience and technical information with organizations and government groups involved in the development and promulgation of national and international standards and regulations. At the expense of ABS, members of the staff participate in the deliberations of approximately 200 committees, panels and subcommittees of organizations outside ABS, and make available to these organizations the professional resources of ABS. These organizations range from international agencies to highly specialized technical and scientific groups. At times ABS staff members have served as experts for the United States delegations to international organizations, such as the International Institute of Welding and the Intergovernmental Maritime Organization. As part of its participation in non-governmental international activities, ABS is a member of the International Association of Classification Societies.

SHIP STRUCTURES COMMITTEE

As an agency of the U.S. government, ABS is a member of the Ship Structures Committee (SSC) along with the U.S. Coast Guard, the Naval Sea Systems Command, the Military Sealift Command, the Maritime Administration and the Minerals Management Service (formerly U.S. Geological Survey). ABS contributes approximately 15% of the budget of SSC which funds would otherwise come out of the already strained federal budget. The purpose of the SSC is to conduct research which will improve the design, materials and construction of hull structure of ships and ultimately improve the safe operation of ships. Members of SSC exchange information on technical matters, and provide the funding for its research programs. When the research is complete, each member agency draws on its considerable marine experience to evaluate the results in terms of ship structural design, construction and operation.

INTERRELATIONSHIP WITH THE COAST GUARD

Marine safety requires that vessels be structurally and mechanically sound, adequately manned and equipped, and operated in a proper manner. By providing the services of plan review, factory inspection, construction surveys and surveys of vessel maintenance, ABS assures the structural and mechanical soundness of ABS-classed vessels. This assurance as to the soundness of a marine vessel built to and maintained in ABS classification has led over the years to a clear interrelationship and partial interdependence between ABS and the United States Coast Guard, thereby allowing the Coast Guard to concentrate its attention and resources on the manning, equipping and operating functions of marine safety.

ABS has a long-standing and good working relationship with the United States Coast Guard. The Commandant of the Coast Guard serves as a member of the ABS Board of Managers. In addition, a number of Coast Guard personnel participate in the ABS Technical Committees which have the responsibility of developing and modifying the various ABS Rules.

To reduce duplication of effort, ABS has been authorized by the Coast Guard to perform a broad range of technical reviews on U.S. flag vessels being classed with ABS and requiring Coast Guard certification. Under Coast Guard surveillance, ABS will conduct authorized reviews and surveys for compliance with Coast Guard regulations concurrently with its review for classification. Plans submitted for such technical reviews are submitted only to ABS. ABS takes all review and approval action for compliance with Coast Guard regulations and ABS Rules. Duplicate submittals to, and review by, the Coast Guard are not required.

Similarly, certain surveys and inspections traditionally performed only by Coast Guard personnel, or by both Coast Guard personnel and ABS surveyors may now be carried out solely by ABS Surveyors although the Coast Guard has oversight. Such surveys satisfy both ABS and Coast Guard requirements and duplicate surveys by Coast Guard personnel are not required.

The cooperation between the Coast Guard and ABS has been governed by several Agreements and Formal Memoranda of Understanding and is operating smoothly. Under a second Memorandum of Understanding with the Coast Guard dated 27 April 1982, ABS completed the technical review of plans and inspection of 212 vessels as of 1 January 1986 and another 125 vessels are under construction or under contract to be built.

A Memorandum of Understanding dated 23 December 1983 concerns the admeasurement of vessels. ABS has measured 112 vessels under the Memorandum and is in the process of measuring 23 more. By shouldering responsibility for admeasurement under Coast Guard supervision, ABS has permitted the Coast Guard to cut costs without sacrificing service.

Another area of fruitful cooperation has been implemented by

Navigation and Vessel Inspection Circular No. 3-84, dated 16 April 1984. NVIC 3-84 provides for the gradual delegation to ABS of most stability related reviews for new U.S. vessels. Under the NVIC ABS will be phased in to the work over a two year period. Currently, ABS can perform stability reviews for barges, tank ships, general cargo ships over 500 tons, subchapter H passenger vessels, vessels under 500 tons, tank barges (except hazardous chemicals) and LNG and LPG vessels. In the months to come ABS will be permitted to perform stability reviews on offshore supply vessels, tugboats and towboats.

An area of probable future cooperation is reviews under Marpol. The Coast Guard now requires tanker vessels of 20,000-40,000 deadweight tons to comply with Marpol and has contacted ABS about carrying out the plan review.

In this connection, ABS is ready to perform such other functions within its capabilities as the Coast Guard may choose to delegate while still maintaining its overall oversight and authority. Because of the nature of its charter and organization, however, ABS cannot extend this cooperation into areas of activity which will involve it in matters pertaining to investigations, manning of vessels, or similar non-technical activities of the Coast Guard.

ABS is pleased with the progress made to date in implementing the various cooperation Agreements it has entered with the Coast Guard and looks forward to increasing the scope of cooperation.

Appendix A

ABS PROJECTS

THAT ARE OF BENEFIT TO THE U.S. MARITIME INDUSTRY

1. MODU Stability Study

At the request of the offshore industry, ABS has undertaken a study to assess the adequacy of the present stability criteria for mobile offshore drilling units. This study, which was recently completed by ABS at its own expense, involved the application of sophisticated computer programs to predict and simulate the dynamic behavior of MODUs in winds and waves. These results were compared with existing static stability criteria, and it was concluded that the dynamic effects of wave action and resultant motions response may not be fully accounted for when using the existing criteria.

Results of the above study indicate a need for further investigation. Thus an expanded scope of investigation will be undertaken over the next two years, which will include experimental testing of a scale MODU model in a water tank, analytical studies of motions of MODU in damaged conditions and wind loading models, all of which may result in the development of a new stability criteria for improved safety of MODUs.

Estimated manhours = 1,100
Cost (including manhours) to date = $180,000

2. Casualty Analysis - GLOMAR JAVA SEA Study for National Transportation Safety Board

As a result of the sinking of the GLOMAR JAVA SEA, ABS undertook a comprehensive loads and stress analysis study of the drillship for the NTSB as part of its investigation into the cause of its sinking. Using weather and wave data provided by NTSB at the time of the sinking ABS performed extensive computer simulations of the vessel's motions, loads and dynamic response to the environmental conditions in water to predict the magnitude of loadings and stresses that could occur in the ship's structure. ABS is also performing for the USCG and NTSB, detailed finite element stress analysis to insure the integrity of sisterships of the GLOMAR JAVA SEA.

Estimated manhours = 865
Cost (including manhours) = $135,000

3. Study on Effects of Rule Changes on Strength of Ships Over the Past Three Decades

This study which was undertaken at the initiation of the USCG is to study the ultimate hull girder strength of ships built to ABS Rules in 1960, 1970, and 1980. Extensive computer structural nonlinear analysis of three typical ship configurations were investigated. In addition, to validate the ultimate strength of these ship types, large scale steel model tests are being conducted at the University of California for ABS. The results obtained from this study will extend our knowledge of the safety margins of ship structural designs.

Estimated manhours = 3,600
Cost (including manhours) = $300,000

4. Development of Design Guidance for Tension Leg Platforms

In order to advance the state of knowledge of new ship platform designs for the offshore industry, ABS has devoted extensive efforts in developing reliability strength standards for deepwater offshore tension leg platforms. This effort involved the formation of a working committee of members from ABS, industry and universities to develop limit state strength criteria. Concurrently, ABS also funded a structural test program at CBI Industries in Chicago to test more than 70 steel stiffened cylinders to assess their limit states under combined axial and lateral loads. ABS has also sponsored advanced development of a fatigue reliability methodology for TLPs over the past three years at the University of Arizona.

Development of standards (3 man-years) = $300,000
CBI Steel Model Tests = 130,000
University of Arizona Fatigue Strength Criteria = 200,000

5. ABS Contribution to Ship Structure Committee, Society of Naval Architects and Marine Engineers, Welding Research Council, Metal Properties Council and National Research Council, Marine Board

ABS annually supports the above industry organizations with both financial and technical support. ABS staff serve on many of these organization's committees and panels lending our expertise and talents to further research, investigate problems of common interest and promote the technical advancement of the industry.

Of particular note is ABS' involvement with the U.S. Ship Structure Committee (SSC). As one of the six member agencies of the SSC, ABS is the only non-government agency of the SSC and therefore is a representative of the commercial vessel maritime industry. Other member agencies of the SSC are: USCG, Naval Sea Systems Command, Military Sealift Command, MARAD and U.S. Minerals Management Service. The goals of the SSC is to prosecute a research program to improve the hull structures of ships and other marine structures. ABS is an active participant in the committee's formulation and implementation of its annual structural research program. ABS annually funds the SSC at the level of $50,000 and frequently undertakes research projects for the SSC at no charge.

Annual Contributions	$85,000

6. SEA-LAND SL-7 Research Program

ABS has recently completed two studies on the SL-7 containerships. The SL-7 containerships, which were recently converted to fast supply ships for the U.S. Navy's rapid deployment fleet, represented a milestone in maritime history. The SL-7s advanced the state-of-the-art in the areas of design, construction and ship operations of containerships.

One of the recent ABS studies completed was a fatigue study comparing some hatch corner fatigue fractures experienced during the first few years in service with theoretical fatigue life predictions. The study involved an extensive analysis of measured hatch corner strains collected aboard several of the SL-7 ships at various stages of service and fix-ups related to the hatch corner cracking experienced. Results of the study have provided improved methods to design hatch corners for containerships.

The cost of this study, which was solely funded by ABS, and reported to the Ship Structure Committee was $100,000.

Another recently completed SL-7 related study dealt with a comparison of calculated motions and hydrodynamic pressures with model test data. The purpose of the study was to validate results of ABS' latest theoretical load prediction techniques with measured data. The application of theoretical methods to realistically predict wave loadings on containerships is significant because it provides ABS with an accurate means of assessing that new containership designs are designed to withstand the extreme loadings of the sea. The cost of this study, which was also funded solely by ABS and reported to the Ship Structure Committee, was $50,000.

8. USCG POLAR Class Icebreaker Test Program

ABS is participating in a government-industry jointly sponsored marine transportation research program in the Arctic. The multi-year research program was initiated by MARAD and conducted by the ARCTEC group of companies using the U.S. Coast Guard's POLAR Class icebreakers. These ships are the world's most powerful non-nuclear icebreakers, and the only U.S. ships capable of mid-winter Arctic operations. Work performed included the following.

- Ice environmental data collection
- Local ice loads measurement
- Global ice loads measurement
- Safety and survival in Arctic regions

ABS contribution to this program was to provide a technical service in performing a hull girder dynamic response analysis using a three-dimensional finite element model representing the entire vessel including the deckhouse. The purpose of this analysis was to determine the dynamic transient response of the hull structure to ice impact forces induced by ramming multi-year ice. The results of this analysis was used to locate strain gauges at optimum positions, and to correlate the measured strains and impact forces. ABS gained valuable knowledge on the nature and magnitude of ice impact forces and its effect on the structural response of ship hulls, which will provide a basis for improving our analytical capabilities to assess designs of ice-transiting ships.

The cost of this work to ABS was approximately $50,000.

9. ABS Research Support to Universities in the U.S.

For more than fifteen years ABS has supported American education and research in the fields of Naval Architecture, Marine and Offshore Engineering at leading universities in the country. Outstanding institutions such as the University of California, University of Michigan, MIT, Texas A & M, Webb Institute, University of Arizona, University of Florida, University of Texas to name a few, have received grants from ABS to support research projects addressing present and future problems in the ship and offshore industries. In addition to the direct financial support, our funding has the added benefit of strengthening the educational program at each university by providing challenging problems to faculty and their students, who represent the future of our industry.

The results of our research carried out at the universities are available to the industry at no charge.

Our level of funding to universities averages about $200,00 per year.

10. Ship Information on U.S. Merchant Marine

As the society to which all U.S. flag vessels are classed, ABS has maintained an extensive data base of ship information on both U.S. and foreign flag vessels in our central computer since 1967. The information contains pertinent data concerning 14,000 ABS classed vessels. There is also a computerized structural and machinery service performance record of all the U.S. flag vessels. These extensive data files are maintained and used for the benefit of the industry.

Estimated Annual Cost	$30,000

11. Rule Development Activities

Each year ABS expends significant research efforts and funding to develop and maintain the nearly 30 Rules and Guides it publishes. Listed below is a summary of recent rule development efforts:

1. Longitudinal Strength of Great Lakes Bulk Carriers

ABS has been involved in a continuing program of research over the years covering the strength of the large bulk-carriers in the Great Lakes. In the early 1970's ABS recognized the need for a strength standard for new Great Lakes ships which were being designed up to 1000 feet in length. These new vessel designs, because of their slenderness and flexibility were susceptible to wave-excited loadings, resulting in possible excessive wave bending and springing as well as fatigue of its hull structure. To study these effects ABS embarked on an extensive research effort over a period of several years which included having experimental model tests conducted at the University of Michigan, full-scale measurements onboard a 1000 feet bulk carrier, analytical studies of loadings and dynamic bending responses, and fatigue strength studies performed at Battelle Institute. This effort culminated in the development of the published "Rules for Building and Classing Bulk Carriers for Service on the Great Lakes" which is the standard to which all Great Lakes Bulk Carriers are being constructed today.

Estimated Cost	$450,000

2. Rules for Building and Classing Vessels to Navigate in Ice

ABS has devoted a major effort in recent years to the development of Rules for Vessels Intended to Navigate in Ice. These Rules include requirements and information necessary for the design and classification for ice strengthened vessels and for icebreakers intended to operate year round in Arctic/Antarctic polar ice.

Estimated Cost	$400,000

3. Proposed Rules for Type I and Type II Dangerous Cargo Tank Barges for Operation on U.S. Inland Waterways

These Rules were developed at the request of the USCG. One major aspect of the requirements is to provide strength criteria for accidental loading; i.e. to provide measures for environmental protection.

Estimated Cost $75,000

4. Guide for Building and Classing Offshore Racing Yachts

This Guide was developed at the request of the Offshore Racing Council (to which the U.S. Yacht Racing Union is affiliated). The U.S. fleet of offshore racing yachts numbers approximately 1200, while the U.S. cruising yacht fleet is much greater in number. This Guide provides design and construction standards for offshore racing yachts as well as for cruising yachts. Its publication and availability to U.S. designers and builders enhances the safety of pleasure sailing yachts by providing the means, for the first time, by which sailing yachts can be designed on a rational engineering basis to a recognized and proven standard. This is increasingly important with the developing trend to use aerospace high performance materials in new designs.

Estimated Cost (1.3 man-years) $150,000

5. Design Criteria for Power Pleasure Craft

Structural design criteria for power pleasure craft are also being developed, and some of the criteria has already been published. When completed, a new Guide will provide structural standards by which U.S. pleasure power craft can be designed to rational engineering standards for structural efficiency and safety.

Estimated Cost to date $25,000

RESOLUTION adopted on February 21, 1986 by the Ad Hoc Coalition on Recreational Boating Safety Education

WHEREAS, the Department of Transportation's FY 1987 budget proposes reversing the funding ratio in the Boating Safety Account of the National Aquatic Resources Trust Fund so that the Coast Guard's annual authorized share of motorboat fuel tax revenue would be increased from $15 million to $30 million at the expense of state recreational boating safety assistance which would be proportionately reduced from $30 million to $15 million; and

WHEREAS, DOT's budget contemplates collecting hundreds of millions of dollars more each year from recreational boaters in user fees for Coast Guard services, such as search and rescue, aids to navigation, and permitting and patrolling races and regattas; and

WHEREAS, these proposals ignore the fact that the greatest strength and highest prioritization of recreational boating safety efforts today are founded on federally assisted state boating programs, and these state programs, if adequately and continuously funded, can relieve the Coast Guard of much of its education and law enforcement responsibility; and

WHEREAS, it is feared that a reduction in state recreational boating safety assistance programs would seriously curtail law enforcement and education efforts and be conducive to a dramatic rise in the annual rate of boating accidents; and

WHEREAS, there is well-founded skepticism in the recreational boating community that the additional revenues being sought in the name of Coast Guard recreational boating safety services, once absorbed into the Coast Guard's operating expenses budget, would not be expended for such services but diverted to other missions of the Coast Guard;

NOW, THEREFORE, BE IT RESOLVED, That the Ad Hoc Coalition on Recreational Boating Safety Education, meeting in Miami Beach, Florida, this 21st day of February, 1986, does hereby strongly urge Congress and the Administration to hold to the commitment they made in creation of the Boating Safety Account of the National Aquatic Resources Trust Fund under Public Law 98-369, recognizing that the way that Account is presently structured ensures the optimum use of motorboat fuel tax revenue for recreational boating safety purposes, and that boaters are already paying the Coast Guard a sufficient user fee in the form of the motorboat fuel tax; and

BE IT FURTHER RESOLVED, that copies of this resolution be forwarded to the Honorable Elizabeth Dole, Secretary of Transportation, the Honorable Pete V. Domenici, Chairman of the Senate Budget Committee, the Honorable William H. Gray III, Chairman of the House Budget Committee, the Honorable Walter B. Jones, Chairman of the House Merchant Marine and

Fisheries Committee, the Honorable Gerry Studds, Chairman of the House Subcommittee on Coast Guard and Navigation, and the Honorable John C. Danforth, Chairman of the Senate Committee on Commerce, Science and Transportation.

Submitted on behalf of the following members of the Ad Hoc Coalition on Recreational Boating Safety Education:

National Marine Manufacturers Association
Boat Owners Assn. of the United States
National Boating Federation
Marine Retailers Assn. of America
Outboard Marine Corporation
MIA of South Florida
Jacksonville Marine Association
National Assn. of State Boating Law Administrators
MIA of Florida

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Commandant (G-CMC/21)
(CGD 85-019)
U.S. Coast Guard Headquarters
WASHINGTON, D.C. 20593
USA

YOUR REF
OUR REF CS/01/Blix/EIH/33
DATE December 20, 1985

DELEGATION OF AUTHORITY TO UNITED STATES CLASSIFICATION SOCIETIES

We refer to ANPRM CGD 85-019 at 50 Federal Register 40413-14 (October 3, 1985).

Det norske Veritas ("DnV") welcomes the steps taken by the Coast Guard to define "similar U.S. classification society" under 46 U.S.C. § 3316. In Part I of this comment DnV responds to the questions raised by the Coast Guard in the ANPRM. In Part II DnV offers reasons why the Coast Guard should delegate plan review and inspection of U.S. flag vessels to other classification societies in addition to the American Bureau of Shipping ("ABS").

PART I

Question

1. What is a "similar U.S. classification society?" As a minimum the Coast Guard is proposing that it be an organization which -

1a. Incorporates under the law of state of the United States;

Comment

This should not necessarily be a requirement. The requirement should be that the society maintains a permanent office in the United States and is subject to U.S. jurisdiction for any operations and acts on behalf of the Coast Guard. In determining the capability of a "similar U.S. classification society", the Coast Guard should evaluate the classification society in the United States and its foreign affiliates as one entity.

Question

1b. Establishes and administers standards for the design, construction, and periodic survey of merchant vessels;

Comment

We agree.

Question

1c. Classes merchant vessels, thus certifying that each vessel adheres to those standards and possesses the structural and mechanical fitness required for its intended service; and

Comment

We agree.

Question

1d. It is a non-profit organization, exempt from Federal income taxes under section 501(c)(6) of the Internal Revenue Code.

Comment

We agree.

Question

2. It will be necessary to delineate the framework through which a society can seek and be granted authority to work on behalf of the Coast Guard. The framework envisioned by the Coast Guard will consist of three steps: The submission of information by the society, the Coast Guard's evaluation of the information, and the signing of a Memorandum of Understanding ("MOU") by the parties.

Comment

We agree.

Question

2a. At a minimum, it is expected that the Coast Guard will evaluate the society's rules, its ability to enforce Coast Guard regulations, its organizational structure, its personnel, and the society's training program. What, if anything else, should be evaluated?

Comment

We agree that the matters identified should be evaluated and suggest that in evaluating the capability of a "similar U.S. classification society", the Coast Guard should evaluate the classification society in the Unites States including its foreign affiliates as one entity. We also suggest the following additions:

- the society's internal Quality Assurance System
- the society's qualification scheme for its surveyors
- the society's R&D efforts
- the society's experience with particular types of ships
- the society's reputation and recognition in the maritime community
- the society's work on behalf of other major maritime nations

- the society's international network of exclusive surveyors

Question

2b. Considering paragraph (a), what specific information should the Coast Guard require to be submitted?

Comment

The Coast Guard should require the following information:

- the society's rules
- the society's documentation pertaining to their internal Quality Assurance System
- the society's documentation pertaining to their qualification scheme for surveyors
- the society's training programs
- the society's R&D programs
- documentation of the society's acceptance by other maritime nations
- the society's network of survey stations and profile of competency of exclusive surveyors

Question

2c. What criteria should be used for evaluating and accepting:

i) A society's classification rules;
ii) a society's knowledge of Coast Guard regulations; and
iii) the training, qualifications and experience of their surveyors and technical staff?

Comment

2c i):

The society should be a full member of the International Association of Classification Societies ("IACS").

The members of IACS are the nine classification societies that review plans and conduct inspection for virtually the entire maritime community. As a condition of membership in IACS each society's classification rules and practices are reviewed to determine if they meet generally accepted and proven requirements for construction of ships. The basis for the rule requirements may be somewhat different from society to society, however, and consideration of equivalency must apply. DnV considers it therefore very important that the acceptance of the society's rule requirements by the Coast Guard must be based upon an evaluation of the total safety level it represents and not detailed evaluation of each requirement.

2c ii):

The focus should be on the society's ability to demonstrate that it does have an operative internal Quality Assurance System, Training Program and a Qualification Scheme that will give the society's surveyors the required knowledge of Coast Guard regulations, while at the same time allowing the Coast Guard through audits to verify the quality of the work that is performed on behalf of the Coast Guard.

2c iii):

We assume that each classification society has its own prescribed procedures for determining that the technical education and experience of its employees qualify them to perform ship classification work; DnV certainly does. In its Qualification Scheme DnV requires that persons authorized to classify ships have had a certain number of years of experience and have completed certain in-house training courses or otherwise demonstrated their knowledge in the area. The Coast Guard should review those procedures and determine that they are appropriate and that the documentation maintained by the society assures compliance with its own requirements.

Question

2d. The MOU between the Coast Guard and classification society will explain the procedures for administering and implementing the process and the roles and responsibilities of each party. Included in the MOU will be a stipulation that the society:

i) Place two government representatives appointed by the Secretary of Transportation on its executive committee;

ii) Accept the government representatives as active members who will serve without compensation, except for necessary travel expenses;

iii) Maintain in the U.S. complete files of information derived from or necessarily connected with the work performed under the MOU for at least 2 years after the vessel ceases to be certified; and

iv) Permit access to these files at all reasonable times to any person authorized by the Commandant.

What, if any, other conditions should be addressed in any MOU?

Comment

The conditions listed in 2d(i), (ii), (iii) and (iv) are understandable and appropriate. The Coast Guard should also require the right to perform an audit of the society's Quality Assurance System related to the work carried out on behalf of the Coast Guard.

Question

3. Must only surveyors exclusively employed by the classification society be used? May exclusive surveyors of a foreign affiliate be used?

Comment

Only surveyors employed exclusively by the classification society should be used to review plans and conduct inspection on behalf of the Coast Guard. That should include surveyors employed exclusively by foreign affiliates of the classification society because much of the construction work is being performed today in foreign countries.

Question

4. What are the ramifications of using foreign nationals as agents of the U.S. government?

Comment

We believe the most important point is that each classification society should have a properly designed internal quality control program (with job definition, guidelines, etc.) that ensures that each employee carries out his work satisfactorily regardless of his nationality. It is not practical to insist that all international U.S. flag con-

struction survey work on behalf of the Coast Guard be performed by U.S. citizens. (We note that ABS employs many persons who are not U.S. citizens for this work.)

Question

5. Should a classification society be required to assume a liability for incidents caused by an employee or agent of the classification society when working on behalf of the Coast Guard?

Comment

International classification societies generally do not assume liability for loss or damage caused by their bodies, officers or employees in respect of classification services. We would expect, however, that any society that is delegated plan review authority by the Coast Guard would assume whatever level of liability ABS has agreed to assume.

Question

6. Should only broad acceptance be given or should limited acceptance be granted based on vessel type? (i.e. drilling units, offshore vessels, tankers, etc.)

Comment

We believe that delegation should not be limited by vessel type.

Question

7. Should acceptance of a similar U.S. classification society that has a foreign affiliation be contingent upon reciprocal acceptance of ABS by the society's home government?

Comment

Yes.

Question

8. What is the best way for the United States to be involved in the development or modification of a classification society's rules?

Comment

We suggest:

- A U.S. classification society should establish a U.S. advisory committee made up of representatives from the Coast Guard and the U.S. industry. Important issues that suggest modification of existing rules should be presented and discussed in the committee and all members should have an opportunity to comment on any proposed rule change.

Question

9. Should the International Association of Classification Societies ("IACS") fit into the acceptance criteria? If so, should the United States consider requesting observer status at IACS?

Comment

IACS should be included in the acceptance criteria (see our comment 2c i) above), but we do not believe that observer status for the Coast Guard is necessary. IMO, which represents 100 or so flag authorities, has observer status at IACS and we do not feel that individual governmental participation would enhance the activities of IACS. While DnV would welcome Coast Guard participation in IACS, we question whether it would be practical and cost-effective to have representation from many different governments in addition to IMO itself.

PART II

DET NORSKE VERITAS COMMENTS IN SUPPORT OF COAST GUARD PROPOSAL TO RECOGNIZE ADDITIONAL U.S. CLASSIFICATION SOCIETIES

The Coast Guard is currently formulating procedures to increase the pool of classification societies to which it can delegate plan review and inspections for new construction of U.S. flag vessels. Presently these services are performed by only one classification society, the American Bureau of Shipping ("ABS"). These comments are submitted on behalf of Det norske Veritas ("DnV") to support this pro-competitive development and to urge that the Coast Guard proceed promptly in implementing this concept. Shipowners and the shipping industry will benefit from this proposal and, as discussed below, objections to it are without substance.

A LARGER POOL OF ELIGIBLE CLASSIFICATION SOCIETIES WILL PROMOTE U.S. INTERESTS

A larger pool of eligible classification societies will promote U.S. interests in four ways:

First, this plan will provide for the first time a freedom of choice for owners and builders of U.S. flag ships. As the nature of the vessels subject to Coast Guard inspection becomes increasingly complex, the opportunity to choose the society with experience for a particular vessel type, and the necessary technological back-up and research facilities, becomes more important.

Second, technological advances will be spurred as increasingly sophisticated ship builders seek solutions for their evolving needs.

Third, the proposed steps promote broader international economic goals of the United States. As the Unites States and its service industries press foreign trading partners in bilateral and multilateral negotiations to open their borders to U.S. services, the United States can offer a healthy competitive example in expanding the scope of services purchased within its own borders.

Finally, the proposed delegation acknowledges the increasingly international character of shipping. DnV, ABS and other classification societies have worldwide offices, employ personnel from all nations, and perform services for numerous foreign governments. The issue becomes one of innovation and quality for U.S. flag ships and no longer depends on national boundaries.

A. The Proposed Delegation Permits Shipowners A Freedom of Choice

Congress clearly contemplated a degree of competition in the Coast Guard's delegation to classification societies when it revised the U.S. shipping statute in 1983. The law provides:

> To the maximum extent practicable, the Secretary may delegate to the (American Bureau of Shipping) or a similar United States classification society, or an agent of the Bureau or society, the inspection or examination, of a vessel documented or to be documented as a vessel of the United States. The Bureau, society, or agent may issue the certificate of inspection required by this part and other certificates essential to documentation.

46 U.S.C. § 3316 (emphasis added). As the House Merchant Marine and Fisheries Committee stated in its report on the bill: "the section contains the authority to permit the

Secretary to rely on reports, documents, and certificates issued by a classification society that is similar to the American Bureau of Shipping." H.R. Rep. No. 338, 98th Cong., 1st Sess. 144, reprinted in 1983 U.S. Code Cong. & Ad. News 924, 956.

In giving the Coast Guard the opportunity to promote competition, Congress sounded a theme -- competition -- that has become increasingly important in both the legislative and executive branches. In 1982 President Reagan ordered the heads of executive agencies to "--- (d) Establish criteria for enhancing effective competition and limiting non-competitive actions." Executive Order No. 12352, 47 F.R. 12125 (March 17, 1982). In 1984, Congress declared:

> It is the policy of the Congress to promote economy, efficiency and effectiveness in the procurement of the property and services by the executive branch of the Federal government by -- (1) promoting full and open competition ....

Competition in Contracting Act, 41 U.S.C. §401.

"Competition" in this case means the freedom for shipowners and shipbuilders to choose the classification society with the technical competence and experience that best suits their needs. For example, DnV believes it offers the most technically advanced service with more sophisticated back-up resources. DnV's surveyors and back-up personnel can, for example, assist a builder or an owner in the use of new materials or new designs. At an earlier stage, DnV can become involved in the research of design concepts. As a result, DnV's fees are often higher than those charged by ABS or other classification societies. Clearly, this "high-tech" service is not needed or desired by every vessel owner. In our experience, however, there is a need for service of this nature.

The freedom of choice offered by the Coast Guard in expanding the scope of its delegation would therefore permit an owner to select the type of service that best fits his needs in a world where the range of needs is growing.

B. Technological Advances Will Be Spurred by Increasing the Pool of Classification Societies

A second and important benefit arising from increasing the pool of classification societies in the United States will be the boost in technological development there and elsewhere in the world. First, by participating in advisory committees and through close cooperation with new classification societies, the Coast Guard and U.S. industry will be exposed to the advanced technological tools used by DnV and other classification societies. With such new knowledge the Coast Guard will be in a position to influence the use of new technological tools in all classification work. As an example of such tools, DnV uses elaborate computer programs that enable novel designs to be evaluated with the same degree of confidence that is available for designs proven through practical experience over the years.

These infusions of new ideas will also boost technology because, as one classification society incorporates technological advances into its standards and procedures, others will be motivated to do the same to remain competitive. DnV has frequently been in the forefront in establishing principles for the evaluation and best possible utilization of new technology. One well known example is that DnV acted promptly as soon as it became technologically feasible to operate a ship's machinery by automatic and remote control, automation and instrumentation. DnV established its so-called E-O class, making it possible to leave the engineroom unmanned for extended periods. This standard has led to the development of similar standards by other classification societies. DnV also led in developing standards for such other new technological systems as Dynamic Positioning Systems, Fire Fighter Systems, Mooring Positioning Systems, and LNG Cargo Containments Scantlings.

C. More Open Access to the United States Will Promote U.S. Trade Policy

The U.S. government and particularly this Administration is firmly committed to liberalizing international trade. As President Reagan stated in his September 23, 1985 trade policy address:

> Let me say at the outset that our trade policy rests firmly on the foundation of free and open markets -- free trade . . . I certainly don't have to explain the benefits of free and open markets to you. They produce more jobs, a more productive use of our nation's resources, more rapid innovation and a higher standard of living.

In this connection, the U.S. Government has in recent years begun pressing its trading partners to open their borders to U.S. service industries. President Reagan has instituted a trade action against Korea to open Korea's borders to U.S. insurance firms. On a broader international scale, the United Stated has argued forcefully that the world's central trade treaty, the General Agreement on Tariffs and Trade ("GATT"), should be expanded to require free trade with respect to services. These rules would require a trading nation to treat foreign service industries in the same way it treats domestic service industries.

These international trade issues are directly relevant to the Coast Guard's determination with respect to classification societies. The plan inspection and review to be delegated are services "procured" by the U.S. government. 1)

---

1) Because the fees are paid by the shipowners, the U.S. government does not actually pay for the services, but it does benefit from such services.

The one classification society to which the Coast Guard now delegates authority to perform that service is ABS. There are, however, several other classification societies of international standing that provide similar services for a majority of the world's merchant marines. The Coast Guard has accepted the classification of those other societies on a case-by-case basis, but to date has delegated that authority (subject always to Coast Guard review) only to ABS.

In this respect the United States is out of step with its own pronouncements and the practices of its trading partners. Norway, for example, is open to this service industry and recognizes several classification societies, including ABS. (ABS has had a memorandum of understanding for classification of ships with the Norwegian government since 1965.) By opening its doors to this service industry, the United States can, while enhancing its own industry, make a clear statement to the world that it does in fact believe in free trade in services.

D. The Proposed Delegation Realistically Accounts for the International Nature of U.S. Shipping

The services provided by classification societies have become international in nature and, accordingly, the major societies have developed into international organizations, transcending their national origins. DnV was founded in Norway in 1864, but it is no longer solely Norwegian in character. It now has three U.S. subsidiaries, one of which is Det norske Veritas U.S.A., a Delaware corporation. DnV has offices in numerous U.S. cities including Houston and New York, and employs nearly 100 U.S. citizens. Overseas, it has more than 300 stations in 100 countries, employing 3,000 people of all nationalities.

The same is true of ABS. Founded in the United States, it too has subsidiaries and operations world-wide. It employs foreign nationals and it too has become transnational in character.

We believe this trend is positive and, in today's closely-knit world, inevitable. As national identities of this service industry become less important, the critical feature becomes quality, innovation and choice.

OBJECTIONS RAISED BY ABS AND ITS SUPPORTERS ARE WITHOUT SUBSTANCE

While we believe the proposed delegation to additional classification societies is a positive step, we are aware that the move is opposed by ABS and others. In various testimony and documents the opponents raise three points in opposition to enhanced competition. We believe none is a real issue and respond to each below.

A. Delegation to Classification Societies with Foreign Affiliates Will Not Endanger National Security

Numerous related arguments have been raised which suggest that national security will be compromised by permitting classification societies with foreign affiliates and employing foreign nationals to perform the services at issue. While we do not deny the importance of national security, it is simply not at issue here.

The first line of argument suggests that delegation to societies other than ABS could result in foreign nationals on U.S. ships in war time. This argument fails because the Coast Guard does its own inspections for operating ships. The proposed delegation is only for plan review and new construction. Thus, it is disingenuous to suggest that the new development would result in foreign nationals on U.S. flag vessels.

The second line of argument suggests that this delegation would permit foreign access to sensitive plans of U.S. ships. At the outset it is important to note that the proposed delegation does not relate to U.S. government-owned vessels. By statute Congress has determined that ABS is the sole eligible source for U.S. military and other government-owned vessels. Thus, the real issue is whether the planned delegation will permit access to sensitive information in plans of privately-owned ships.

The principal reason this is unlikely to occur is that these facts are, as a practical matter, already in the public domain. As all involved in the shipping industry know, each time a new vessel is constructed every important detail is thoroughly described in shipping trade journals. Plans are published as are engineering details and other vital statistics.

The information is also directly available to foreign nationals because ships are often built in foreign shipyards. Such foreign shipyards, of course, have copies of the plans. The foreign nationals presently employed by ABS to do the Coast Guard inspection also have access to the plans. Information is further disseminated as shipbuilders and shipowners send plans to potential customers. Thus, little if anything remains that is not already publicly available.

Of course, with respect to DnV as well as other classification societies, the speculation involved in these arguments are far-fetched. The arguments completely disregard the close military and economic ties between the United States and Norway, in the case of DnV, and the home countries of the other classification societies that could be eligible. Norway and the United States have long shared the NATO alliance and fundamental strategic goals. This long-standing, mutually beneficial relationship is unlikely to deteriorate suddenly, leaving the United States unprepared and vulnerable.

The national security issue is therefore a red herring that becomes meaningless upon closer examination.

B. The Benefits to Maritime Safety Will Far Outweigh Any Small Increase in the Cost of Coast Guard Supervision

The initial review of a society's rules, monitoring new rules and other oversight functions, it is argued, will cost the Coast Guard more. DnV cannot disagree that the new delegation will cost more initially, but the real question is whether the benefits to owners of U.S. flag ships outweigh some small cost increase and whether increased marine safety will not save the Coast Guard money in the long run.

To analyze this issue, it is important to delineate the scope of the additional work that would be required of the Coast Guard. The procedure proposed by the Coast Guard would not result in a flood of new societies. The requirements of U.S. incorporation and non-profit status will as a practical matter mean that only two or three new societies will be involved.

While we agree that the Coast Guard should review a society's classification rules, this task is lightened by two facts. First, the Coast Guard can presume that a society's rules provide an accepted level of safety when the society is a member of the International Association of Classification Societies ("IACS"). Membership in IACS is predicted on maintaining rules that are universally recognized as providing a fundamental level of safety. IACS issues guidelines for safety and its members work to formulate new rules and new standards of safety. Moreover the Coast Guard has already contracted with a consultant to review and compare the classification rules of the other classification societies.

More important, the vast majority of the standards that must be used in the plan review and inspection are standards that are incorporated in the Code of Federal Regulations ("CFR"), not a society's classification rules. These CFR standards are uniform and convenient for the Coast Guard to administer. Thus, while a society's classification rules are important as a measure of the degree of care practiced by that society, the standards at issue in many cases are the uniform CFR rules.

Accordingly, while the proposed delegation can result in an increase in costs to the Coast Guard, the costs when analyzed are not significant and are well justified by the benefits they create. The inevitable consequence of competition and freedom of choice will be enhanced marine safety -- safer ships and safer rigs -- and the Coast Guard has to be the beneficiary of the resulting reduction in maritime accidents, with their attendant search and rescue operational costs to the Coast Guard.

C. The Increase in Competition Will Not Compromise Safety

Opponents of the concept of competition for this service suggest that classification societies will reduce their standards to attract business, thus leading to a decline in safety. Experience and logic suggest otherwise.

Competition in the rest of the world is common and has not resulted in a demonstrable decline in safety. This is demonstrates by the chart (attached as Exhibit I) prepared by the Liverpool Underwriters Association which documents the ship loss ratios for the world's shipping nations. The chart demonstrates that there is not any correlation between countries with a high degree of loss and countries which promote competition. In fact the loss ratio for the United States (.22) is *higher* than that for some countries which permit competition, *e.g.*, Canada (0.2); the Netherlands (.07); or Norway (.03).

In our experience, competition has resulted in an increase in safety. For example DnV has today one of the strictest safety standards for certain advanced types of vessels as well as for mobile offshore units. It is therefore likely to be more expensive for the owners to have their units classified by DnV rather than by another classification society. Notwithstanding, in this highly competitive market, DnV enjoys a larger classification share than most of the other major classification societies. This result is far from the decline in standards predicted by opponents of competition.

Moreover this positive experience with competition makes practical sense. Unsafe ships are bad economics for the shipbuilders, owners and the classification societies. As experience suggests, shipowners (who most often designate the classification society in the shipbuilding contracts) are interested in a vessel that is operational. The cost is vastly greater if the ship does not work, or is lost. Shipowners know this and choose their classification society accordingly.

Unsafe ships are bad economics for the classification societies as well. Like many service industries, classification societies compete on the basis of quality. A miserable safety record is an embarrassment to a classification society because it simply will not inspire the confidence necessary in the world's shipping markets to effectively compete.

CONCLUSION

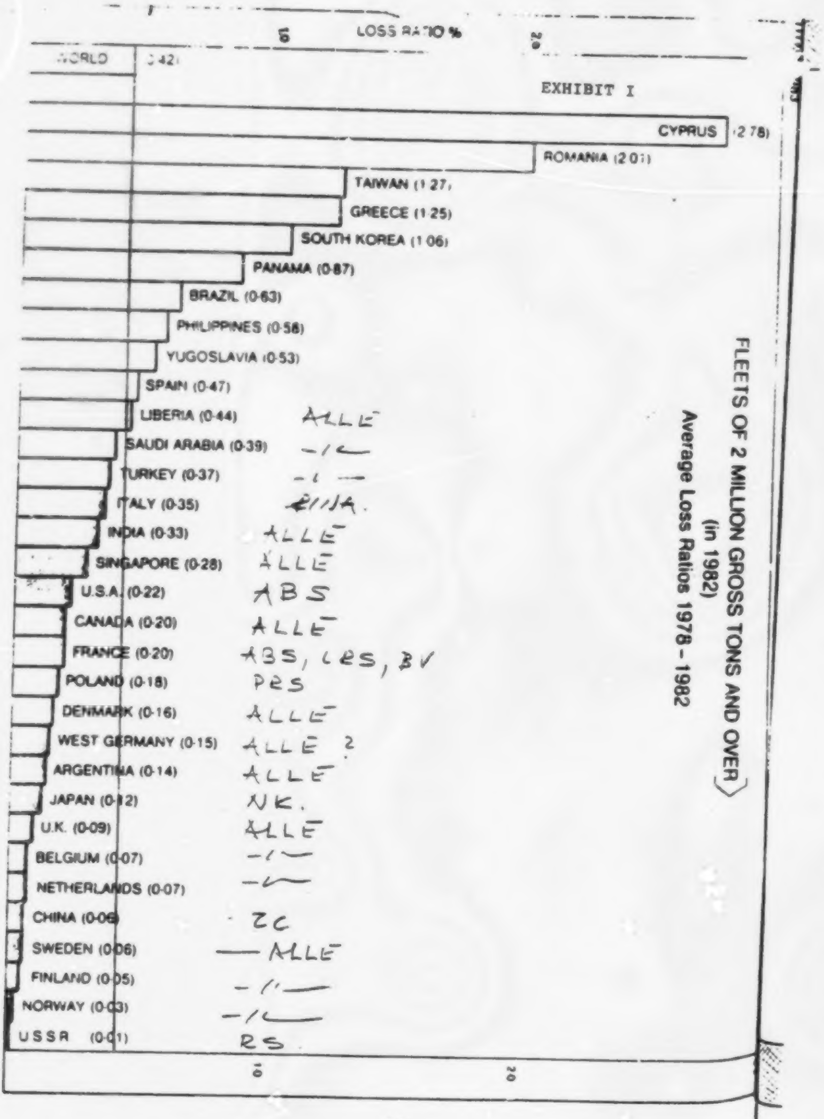
As set forth above, the Coast Guard's initiative to delegate certain, defined responsibilities to additional classification societies is a positive step that will benefit the U.S. shipping industry. It will afford the owners of U.S. flag vessels a choice, promote technological development, enhance U.S. trade and is a realistic acknowledgement of the international aspect of the classification service. The objections raised by ABS and others are insubstantial and heavily outweighed by the benefits. Accordingly, we urge the Coast Guard to pursue its initiative and implement this program as rapidly as possible.

Yours sincerely,
DET NORSKE VERITAS

Sven Ullring

Sven Ullring
President

EXHIBIT I



FLEETS OF 2 MILLION GROSS TONS AND OVER (in 1982)
Average Loss Ratios 1978 – 1982

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SONAT MARINE

February 24, 1986

Hon. Gerry E. Studds
Chairman
Subcommittee on Coast Guard & Navigation
543 House Annex 2
Washington, D.C. 20515

Re: Coast Guard Authorization Legislation

Dear Mr. Chairman:

Thank you for your letters of January 28, 1986 and February 10, 1986 concerning draft legislation to authorize funding for the Coast Guard for the next two years.

Your deliberations take place against the background of the need to reduce a large federal deficit and Congressional resolve (Graham-Rudman Act) to make unprecedented cut-backs in discretionary federal spending. Like the federal government, our domestic towing industry, of which Sonat Marine is a part, is facing unprecedented pressures to do more with less. With the marine transportation market in a static state and with a continuing surplus of vessels (exacerbated by the Title XI program which artificially stimulated new construction and now drags down rates through debt restriction), our customers are demanding more services at less cost.

The combination of scarce government funds for the Coast Guard and a badly depressed merchant marine demands a change in regulatory policy that was first suggested in your committee's report entitled, "Semi-Paratus: The United States Coast Guard, 1981" (H.Rep. No. 97-355, 97th Cong. 1st Sess.). That report correctly recognized that the Coast Guard has been transformed from a sea-going service into a regulatory bureaucracy. As your report stated, only about 15% of the service's officer billets are on ships. A statement quoted in the Committee Report concisely states the Coast Guard's change of mission:

> In recent years, the role of the Coast Guard has increasingly become that of a regulatory agency. However, we do not believe that the regulatory function is compatible with the nature of a military service. The best example of this incompatibility lies in the Coast Guard personnel rotation policy, which

> is not unlike that of our other military services. While the practice of regularly transferring Coast Guard personnel to different geographic locations and delegating new responsibilities may be sound from a military perspective, it severely hampers the agency's ability to successfully fulfill its regulatory function because it limits the development of expertise in any given geographic or technical area. It should go without saying that the development of just this kind of expertise is critical to the promotion of a safe merchant fleet and the promulgation of regulations which are not economically debilitating. (Committee report at 10.)

We have found, in fact, instances in which we have devoted substantial resources to regulatory controversies with the Coast Guard which are not based on substantive problems, but which instead are based on inflexible interpretation and/or application of laws or regulations. As the committee stated,

> An inexperienced regulator or inspector may tend to become overly cautious, to pay excessive attention to the law rather than to the intent of a rule, or to design regulations which are easily enforceable, without sufficient regard to the appropriateness or to the cost of the regulations to the industry involved. (Committee Report at 9.)

This problem of inflexible regulatory approaches can and must be remedied, especially with the guidance of the Congress. Major strides in the quality and effectiveness of Coast Guard rulemaking projects have been made through the Congressionally mandated Towing Safety Advisory Committee. This is a vital forum where headquarters regulators and industry and labor can engage in a continuing dialogue that educates both sides of the regulatory equation. This exchange of views and information is healthy, and TSAC deserves the continuing support of Congress.

The Coast Guard has also made some advances in reducing the inefficiencies in the Marine Safety program which were inherent in the military system of personnel rotations. We continue to believe that dedicating personnel to geographic areas and types of trades will enhance th ffectiveness of the marine safety program and yield budget ngs in avoided training and moving costs.

Beyond these specific nges, we recommend that the Congress, in the report a mpanying the authorization legislation, adopt a regulatory osophy that predicates regulatory actions on:

1) An understand of the competitive environment of a ted industries. We compete not only inst other vessels, but also other trans ation modes where fractions of a cent ates may be critical. What appear to be significant regulatory costs may have dr tic competitive impacts.

(2) Real need, as posed to "bureaucratic need." For examp many regulatory changes are induced by In national Maritime Organization (IMO egulations that often affect wholly dom ic operations. These changes are often posed on the industry without demonstra need; yet, the industry must absorb the c s.

(3) Cognizance of ndamental commercial realities. Added gulatory costs do not get automatically ssed on to consumers. Our market is so mpetitive that customers increasingly dema that we do not pass on to them additiona egulatory costs.

(4) Recognition t regulatory thinking may lag industry prac e and innovation. Working with a se f statutes which were developed, in man nstances for the steam vessel age, many ulators lose sight of the dramatic tech al innovations employed on our vessels. of highly sophisticated automated engine ms or accurate, redundant navigati and collision avoidance radar systems have evolutionized the way personnel operate ssels. Many of the regulations, manni for example, are still tied, however, to e steamship model.

The Coast Guard is doing a good job with the resources it has, but given the scarcity of resources that all of us now have to work with, we encourage your Committee to exhort the Coast Guard to use its regulatory resources in a manner that is more efficient for them and more cost effective for the industry it regulates.

In closing, we want to stress to the Committee that our commitment to work with the Coast Guard in the regulatory process does not come without substantial cost. We estimate we spend in excess of $500,000 annually on regulatory matters. Most of these regulatory issues involve substantial operating costs without attendant enhancement in the safety and efficiency of our operations. We believe these unnecessary costs are just beginning to decline, and with the committee's help could be reduced further through effective Congressional guidance.

Thank you for making this part of the hearing record.

Very truly yours,

John C. Newcomb/

John C. Newcomb,
Vice President and
General Counsel

Shipbuilders
Council of America
1110 Vermont Avenue, N.W. ■ Washington, D.C. 20005 ■ (202) 775-9060

February 13, 1986

Dear Mr. Chairman:

The purpose of this letter is to advise you and the members of the Subcommittee on Coast Guard and Navigation of the Shipbuilders Council's strong support for the provision contained in the Discussion Draft dated January 31, 1986, which would prohibit vessels constructed for use by the Coast Guard to be built in foreign shipyards.

The provision (set forth in a new section 664) would expressly prohibit a Coast Guard vessel, and no major component of the hull or superstructure of a Coast Guard vessel, to be constructed in a foreign shipyard. This prohibition may be waived by the President, if he determines that it is in the "national security interest of the United States to do so." The President must submit a notification to Congress of any such determination, and no contract may be entered into until the end of a 30 day period beginning with the receipt of that notification.

The provision is modeled after section 7309 of Title 10 of the United States Code, which places identical restrictions on the construction of "naval" vessels and vessels of "any other military department," and major components of the hull or superstructure of such vessels. The Council has consistently interpreted the phase "any other military department" to include the Coast Guard because that uniformed service does and has in past played a military role. Indeed, in wartime the Coast Guard has been placed under the jurisdiction of the Secretary of the Navy.

The Shipbuilders Council urges the adoption of this important clarification in the law governing where vessels constructed for use by the Coast Guard may be built.

Sincerely,

M. Lee Rice

M. Lee Rice
President

The Honorable Gerry E. Studds
Chairman
Subcommittee on Coast Guard
and Navigation
Committee on Merchant Marine
and Fisheries
543 House Annex Number 2
Washington, DC 20515

Shipbuilders
Council of America
1110 Vermont Avenue, N.W. ■ Washington, D.C. 20005 ■ (202) 775-9060

March 7, 1986

Dear Mr. Chairman:

The purpose of this letter is to advise you and the members of the Subcommittee on Coast Guard and Navigation of the Shipbuilders Council's strong support for the provision contained in HR-4208, which would prohibit vessels constructed for use by the Coast Guard to be built in foreign shipyards. The Council is the principal trade association of the shipbuilding and ship repair industry and the suppliers of equipments, materials and services to the industry.

The provision (set forth in a new section 664) would expressly prohibit a Coast Guard vessel, and no major component of the hull or superstructure of a Coast Guard vessel, to be constructed in a foreign shipyard. This prohibition may be waived by the President, if he determines that it is in the "national security interest of the United States to do so." The President must submit a notification to Congress of any such determination, and no contract may be entered into until the end of a 30 day period beginning with the receipt of that notification.

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The Shipbuilders Council urges the adoption of this important clarification in the law governing where vessels constructed for use by the Coast Guard may be built and requests that this letter be made a part of the record on HR-4208.

Sincerely,
M. Lee Rice
M. Lee Rice
President

The Honorable Gerry E. Studds
Chairman, Subcommittee on Coast Guard
and Navigation
Committee on Merchant Marine and Fisheries
543 House Annex Number 2
Washington, DC 20515

American Institute of Merchant Shipping

1000 16th Street, N.W., Suite 511, Washington, D.C. 20036-5705
Telephone (202) 775-4399 Telex 89424 AIMSHIP WSH

March 20, 1986

The Honorable Gerry Studds
Chairman, Subcommittee on Coast Guard
and Navigation
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

As we pointed out in previous correspondence, AIMS would not testify at your hearings on Coast Guard authorization legislation. However, set out below are some comments concerning elements in the Coast Guard authorization bill. We would appreciate it if these remarks could be made part of the hearing record with respect to Coast Guard authorization legislation.

AIMS supports the funding levels for Coast Guard expenditures for fiscal years 1987 and 1988 as set out in your authorization bill, especially in categories such as acquisition, construction and improvements (AC&I) and operating expenses for FY 1988, which increase the amounts over those requested by the administration. We have always supported a strong Coast Guard, but the organization will not be able to meet its many commitments if its budget is cut in an arbitrary and unfeeling fashion. We must maintain a strong Coast Guard capability, especially in the area of maritime safety.

In your letter to us dated January 28, 1986 you set out a number of items which would be included in the Coast Guard authorization bill. Many of these items do not apply to AIMS' members, such as requiring the use of 1/2 percent of state boating funds to pay the federal costs of administering that program. However, we do not see any problem with these matters and certainly support the requirement that vessels constructed for use by the Coast Guard be built in U.S. shipyards.

AIMS supports the concept of the transfer of funds as established in Section 4 in which the Secretary of Transportation is authorized to transfer up to 10% from either the operating expenses account or the AC&I account to another Coast Guard account if this is in the national interest. This transfer concept would also apply to any other federal officer to whom sums are appropriated for operating expenses or AC&I to transfer up to 10% of that amount to the Secretary of Transportation. We think this is a very innovative device which provides increased flexibility for the funding of important Coast Guard activities.

We agree with the language in Section 5 which requires the Secretary to identify those Coast Guard activities which are necessary to maintain a core logistics capability needed to ensure the effective and timely performance of Coast Guard missions for the security, safety, economic and environmental well-being of the United States. This section provides a waiver for the performance of certain Coast Guard activities by non-governmental personnel. We assume that this covers the delegation of vessel inspection responsibilities to American classification societies. In connection with this important matter, AIMS would like to make the following comments.

We support the concept of the existence of more than one classification society in the United States to administer applicable parts of the Code of Federal Regulations. However, we feel care must be exercised to ensure American participation in any society recognized as a "similar U.S. society." We feel it is important that American participation should be a requirement for approval as there are U.S. rules being applied to U.S. ships and their development and application should be under American guidance. We are referring not only to a citizenship test for the corporation, but also to its daily operations.

We also note that the presently recognized classification society is organized as a non-profit corporation. We feel this is an important requirement for other organizations to meet. The U.S. maritime industry has been well served by the non-profit corporations recognized by the Coast Guard to conduct inspections on behalf of the government and continued application of this principle to other organizations is warranted.

We have responded to a Coast Guard Advance Notice of Proposed Rulemaking concerning recognition of a "similar U.S. classification society" and, while making several points concerning the administrative details of recognition, the above two points are of particular interest.

Notwithstanding the work performed by any society, we expect the Coast Guard to continue maintaining a solid base of technical expertise as the final decision maker with respect to application of the regulations.

We do not have any objection to the Section 10 approach to making technical and conforming amendments to the text of Title 14 of the U.S. Code as long as no substantive changes are made.

We assume that the American Waterway Operators (AWO) will comment on the proposal in Section 11 to extend the requirement for licensing commercial towing vessels to those under 26 feet. AIMS agrees with the proposal in Section 11 that a towing vessel that tows a disabled vessel shall be operated by a licensed individual.

We support the Section 16 language relating to two new polar icebreakers. It is very important that the Coast Guard continue its capacity for icebreaking operations, both from a commercial and military standpoint.

This concludes our comments, Mr. Chairman, on the current fiscal year Coast Guard authorization bill. You and you staff are doing your usual competent and thorough job which is a benefit to the marine industry as well as the Coast Guard.

As mentioned previously, we would appreciate it if these comments could be made part of the hearing record of your Coast Guard authorization bill for fiscal years 1987 and 1988.

Sincerely,

Ernest J. Corrado

Ernest J. Corrado
Vice President

Attachment

ATTACHMENT

American Institute of Merchant Shipping
1625 K Street, N.W., Suite 1000, Washington, D.C. 20006
Telephone (202) 783-6440 Telex 89-424 AIMSHIP WSH

January 29, 1986

Commandant (G-CMC/21)
U.S. Coast Guard Headquarters
2100 Second Street, S.W.
Washington, D.C. 20593

Dear Sir:

The American Institute of Merchant Shipping (AIMS) is a national trade association representing 22 U.S.-flag shipping companies which own or operate approximately nine million deadweight tons of tankers, dry bulk carriers and other oceangoing vessels engaged in the domestic and international trades of the United States.

We have carefully reviewed the Advance Notice of Proposed Rulemaking (CGD 85-019) published in the October 3, 1985 issue of the Federal Register and appreciate the opportunity to submit our views.

Before responding to the specific questions, we wish to state that we support the concept of the existence of more than one classification society in the United States to administer applicable parts of the Code of Federal Regulations (CFR). However, we feel care must be exercised to ensure American participation in any society recognized as a "similar U.S. society" (SCS). Also, we are concerned with maintenance of the Coast Guard's technical ability as the final decision maker with respect to the application of the CFR, granting of waivers and exemptions, and decisions on interpretations. Respecting the first, we feel it important that American participation should be a requirement of the approval as these are U.S. rules being applied to U.S. ships. Specific comments concerning recognition of SCS are contained in our response to your questions. Regarding your responsibilities as the decisions maker on application of the CFR, we feel there is no question that the Coast Guard must maintain a solid base of technical expertise. This is particularly important given the recent and continuing reductions in government manpower.

Our responses to your specific questions are as follows:

1. "What is a 'similar U.S. classification society?'"

We agree with the four points made in the ANPRM and note particularly point "d" referring to nonprofit status. We feel this deserves note as services are performed for the Coast Guard in areas other than classification by the National Cargo Bureau and the International Cargo Gear Bureau. Both are nonprofit corporations. With this degree of excellent experience with nonprofit status, we feel the Coast Guard is well served by continuing with a nonprofit requirement.

We feel your four points need amplification since, for practical purposes, the only groups presently in a position to supply classification services are foreign classification societies which choose to establish a U.S. incorporated affiliate. If the foreign classification society (U.S. affiliate) is "similar" to ABS and is allowed into the U.S. market, then the "similarity" must also include the opportunity for the ABS to reciprocate and compete for the world wide foreign-flag business performed by the Society judged as similar to ABS. If the SCS, or its parent, performs plan review and inspection services for agencies of its home country government, classification societies based in the U.S. should be afforded the opportunity to compete for that business under the laws of that home country. No laws or regulations including banking, insurance, or casualty should prevent this reciprocity.

Further suggested measures of similarity are:

- The SCS and parent or affiliate should not be an agency of any government or political organization.

- The SCS and parent or affiliate should not have any of its funding provided by any government, i.e., government grants, etc., except those business revenues earned in performing technical review and inspection work for that government.

- No person performing plan review or inspection on any vessel of the U.S. strategic reserve fleet should be an employee or agent of any foreign government.

2. a. "At a minimum...What, if anything else, should be evaluated?"

- The society's standards for equipment certification. These should be as comprehensive and stringent as Coast Guard and ABS standards.

b. All information pertaining to an application from an SCS should be submitted in English for both Coast Guard and public review. The public should be afforded the opportunity for participation in the review process by publication of the request in the Federal Register. U.S. public comment should become part of the information on which a decision to grant "similar" status should be based.

c. i. SCS rules should be as comprehensive and stringent as existing Coast Guard and ABS standards.

c. ii. This is an important item since the SCS will be acting on behalf of the Coast Guard. It does not seem possible to test an SCS's knowledge, therefore, the Coast Guard should establish oversight procedures to ensure that Coast Guard standards are being applied correctly. Also, and with reference to our opening remarks, a shipowner should be afforded the opportunity to appeal any classification society decision to the Coast Guard for final decision.

c. iii. Apply those evaluation and acceptance criteria which are presently applied to ABS personnel.

d. "The MOU...What, if any, other conditions should be addressed in any MOU?"

- Oversight rights of the Coast Guard should be delineated.

- All business of the executive committees should be conducted in English or an independent translator fluent in English should be provided by the society.

- All records and files and inspection reports respecting U.S. classification activities should be in English.

3. "Must only surveyors exclusively...?"

Surveyors employed by more than one society should be acceptable if qualified. Exclusive surveyors of a foreign affiliate would be acceptable provided they are technically qualified under the criteria applicable to the U.S. society.

4. "What are the ramifications...?"

With the exception of our previously stated concern with national security issues, there are no adverse ramifications. To our knowledge, ABS presently uses foreign nationals in their activities.

5. "Should a classification society...?"

The liability for an incident aboard the owner's or operator's ship caused by an agent of any other organization should rest with that outside organization. Any hold harmless agreements entered into by the Coast Guard should be clearly spelled out. Further, the classification society, or any outside person, should not be held responsible for the adequacy of Coast Guard regulations.

6. "Should only broad acceptance...?"

Limited acceptance based on vessel type could be given by the Coast Guard, however, we would caution that the tests for "similarity" which include technical expertise, internationally operating inspection services, as well as the others noted above should be equally applicable to requests for limited acceptance as for those for "broad acceptance."

7. "Should acceptance of a similar U.S. classification society...?"

As previously stated, we feel this is an important test of similarity. A foreign classification society should not be deemed "similar" to ABS unless the foreign society is in a similar position to ABS with respect to its own domestic activities.

8. "What is the best way...?"

Participation by the Coast Guard on the society's committees is one method. Extending this question beyond the role of government, which we feel it should be, we would expect U.S. industry to also be involved in the society's activities regarding committee deliberations, rulemaking, etc. U.S. industry is presently afforded the opportunity to help frame the rules of ABS through active participation.

9. "Should IACS fit into the acceptance criteria?..."

As a forum for exchange of technical expertise, IACS is a useful organization with which the Coast Guard should affiliate as an observer. Because it is a voluntary organization and has members which in no way could be considered as similar to ABS, we believe that using IACS membership as a criteria for acceptance would be inappropriate.

We appreciate the opportunity to comment on this ANPRM and look forward to reviewing any Notice of Proposed Rulemaking which may be published.

Sincerely,

Thomas J. Lengyel
President

JJC:hi

STATE OF ALASKA

DEPARTMENT OF EDUCATION

OFFICE OF ADULT AND VOCATIONAL EDUCATION

ALASKA VOCATIONAL TECHNICAL CENTER

VOCATIONAL/TECHNICAL TRAINING
FOR HIRE EDUCATION

P.O. BOX 615
SEWARD, ALASKA 99664

(907) 224-3322

February 10, 1986

Honorable Norman F. Lent
U.S. House of Representatives
Committee on Merchant Marine and Fisheries
Room 1334, Longworth House Office Building
Washington, DC 20515

Dear Representative Lent:

I am sure that those with vested interest in the Coast Guard Authorization bill have already alerted you to the major issues such as the need for a well funded Coast Guard to enforce foreign fishery allocations and continue crucial search and rescue activities.

On these issues alone I believe the Coast Guard should be made a budget priority; however, I would like to alert you to some of the "ripple down" effects of funding cuts on a personal but a very important level.

In Seward, Alaska, I help to administer a Fisheries/Maritime Training program at the Alaska Vocational Technical Center. This was the first and only program of its kind in Alaska established for the express purpose of helping Alaskans enter the Merchant Marine, helping Alaskan fishermen compete in the foreign fisheries and helping to insure the safety of the members of both industries. Since late 1982, this program has serviced over 1000 fishermen and mariners and continues to grow. This growth has been a direct result of support given to the school by the United States Coast Guard specifically the Regional Examination Center and the OCMI, Lt. Commander Rice, in Anchorage. This support has been wide and varied and often beyond the "call of duty".

One of the more specific elements of that support has been the OCMI's willingness to travel to Seward to give examinations for our license candidates. This is a critical service in Alaska for two reasons:

1. In any given class, we could have students that reside anywhere from Ketchikan to Barrow (miles apart). This distance alone has often been enough to prevent them from taking the examination.

2. When the examination is given here the students have a psychological edge--one that lets them perform in a way what adequately effects their skills. They are in a comfortable setting, sharing the experience with people they have studied with for weeks. For those who are not test takers, this is a critical edge.

   Additionally, we have worked with a number of Alaskan Native operators. At the school we can provide translating services if necessary. This psychological edge is imperative for these native operators from the Bush. Just the sight of the Federal Building has been enough to put off some excellent operators.

I could go on to list the benefits of the situation we have come to take for granted over the past 3 years. Suffice it to say that we have a 98% success rate with our candidates and I think one of the primary reasons is this testing situation.

In light of the current fishing industry safety issue it should be noted that fishermen are taking positive steps to turn this around--through the Coast Guard. We have had 85 fishermen complete seamanship/navigation (licensing course) and receive their licenses. This did not cost the Federal Government, insurance companies, or any of the consortia dedicated to safety, anything. These efforts were taken on by the fishermen themselves through a program that the Coast Guard has helped to support. More of this crossover is occuring all the time. This does not include the 100 plus fishermen who have completed safety training here at AVTEC--again aided by the Coast Guard.

I project that if the Coast Guard cannot reinstitute travel for testing the following will occur:

1. Our overall numbers will decrease;
2. our pass rate will drop;
3. rural Alaskan residents will have increased difficulty obtaining licenses; in previous cases this would mean losing their job.

Although I realize that you are faced with major issues in dealing with the Coast Guard Authorization Bill, I hope that you will take the time to consider this issue and its direct effect on people, not just services. At your request I am happy to provide detailed documentation and statistics.

Thank you for your consideration.

MADELYN YERDEN-WALKER
ASSISTANT TRAINING ADMINISTRATOR

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COAST GUARD AUTHORIZATION

THURSDAY, MARCH 13, 1986

House of Representatives,
Subcommittee on Coast Guard and Navigation,
Committee on Merchant Marine and Fisheries,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 1334, Longworth House Office Building, Hon. Gerry E. Studds (chairman of the subcommittee) presiding.

Present: Representatives Hutto, Borski, Carper, Thomas, Bennett, Davis, Hartnett, and Miller.

Staff present: Rudy Cassani, K.C. Bell, Duncan Smith, Bill Woodward, Carolyn Creed, Gina DeFerrari, George Pence, Lisa Murray, Sue Waldron, Ed Welch, and Andy Schwarz.

OPENING STATEMENT OF HON. GERRY E. STUDDS, A U.S. REPRESENTATIVE FROM THE STATE OF MASSACHUSETTS

Mr. **Studds**. The subcommittee will come to order.

We meet this morning for the third and last of our hearings to consider H.R. 4208, the proposed Coast Guard Authorization Act of 1986. The subcommittee will meet next on Tuesday, at 1 p.m., to mark up the bill.

We are operating once again this year within an atmosphere of great uncertainty about the amount and nature of the resources that will be available to the Coast Guard. Less than 2 weeks ago, on March 1, the Gramm-Rudman guillotine chopped $109 million out of the Coast Guard budget. That money exists today in what I'd guess we would have to call a Gramm-Rudman limbo, awaiting a Supreme Court decision that could return the money to the Coast Guard, after which the proponents of Gramm-Rudman would inevitably seek once again, I assume, to take it away.

To illustrate the success of the Gramm-Rudman law in bringing order to the budget process, I would only note that Congress is scheduled, under that law, to enact a joint budget resolution for 1987 by April 15. This deadline, toward which we have not yet begun to work, happens to be exactly 33 calendar days, or 9 congressional working days, from now. In the midst of this, the good news is that we are aware of possible administration plans to reprogram other funds from within the Department of Transportation for the Coast Guard; and we may be considering a proposal for supplemental appropriations to combat terrorism that could include as much as $125 million in Coast Guard funds.

Aside from budget issues, our major purpose today is to discuss the substantive policy provisions of H.R. 4208. At our last hearing, we heard from a wide variety of public witnesses and today we will solicit the views of the Coast Guard itself with respect to the specific language of the bill.

For this purpose, we are once again delighted to welcome Adm. James Gracey, the Commandant of the Coast Guard, who I am sure will be eager to answer any questions the subcommittee may have.

Mr. **Studds**. Mr. Davis, do you have an opening statement?

Mr. **Davis**. I will submit a statement for the record, Mr. Chairman.

Mr. **Studds**. Without objection.

[Statement of Mr. Davis follows:]

STATEMENT OF HON. ROBERT W. DAVIS, A U.S. REPRESENTATIVE FROM THE STATE OF MICHIGAN

We have come to our last hearing on the Coast Guard authorization bill, H.R. 4208. We are happy to have Admiral Gracey with us once again and while we hope not to take too much of your time, Admiral, we have a few matters to ask you about at this last opportunity before marking up this bill. Among those matters will be the comments we got at our last hearing from the private towing firms with regard to our section on use of the auxiliary. We also will, no doubt, be asking for an update on the Coast Guard's 1986 budget situation. I know other members have additional matters to discuss so I keep this statement short so that we can get on with this hearing.

Thank you, Mr. Chairman.

Mr. **Studds**. Anyone else?

Mr. **Hartnett**. I'd like not only to welcome Admiral Gracey and his staff, but to also welcome a group of fine young cadets from the Coast Guard Academy who are seated in the back of the room, and say to them that although all the members of the committee are not present today that is no indication of a lack of interest in the Coast Guard. It is to you whose hands we'll transfer what's left of the Coast Guard in the years to come. Please be assured that the members of this committee, probably to the last man and woman, fully support the Coast Guard and the job and the mission that they have. Those of us who are here and who will be here in the coming years, I'm sure, will continue to do so, so that you fine young men and women will have an adequate resource with which to work. We welcome you here to this hearing this morning along with Admiral Gracey. Thank you.

Mr. **Studds**. Thank you, Mr. Hartnett. Admiral Gracey, I assume you would like to inform us as to whether the gentleman from South Carolina is correct, that this is the Coast Guard Academy, or the Coast Guard Academy minus 4.3 percent, or whatever it is that is visiting us today. We welcome you to do that and to make whatever statement you wish.

STATEMENT OF ADM. JAMES R. GRACEY, COMMANDANT, U.S. COAST GUARD

Admiral **Gracey**. Thank you, Mr. Chairman. The gentlemen and ladies that you see in the back of the room are, in fact, representatives of the Coast Guard Academy. They are in town on a field trip, part of a group studying the political process in our Government at the Coast Guard Academy. You are correct in your assessment, Mr. Hartnett, that they are the men and women who will, in fact, inherit the Coast Guard. One day one of them may very well have the great pleasure of sitting before you. It is a pleasure, Mr. Chairman, to be with you again, to review and discuss our Coast Guard fiscal year 1987 budget request. As previously, I have some people with me at the table. On my far right is the chief of staff, Adm. Donald Thompson. On my immediate right is the chief of the programs division, Capt. Jack Trainor; and on my left, chief of the budget division, Capt. Kent Williams.

My opening statement on February 6, at the first of these hearings, provided information on the Coast Guard's fiscal year 1987 budget request, and in the interest of time, I will not repeat all that detailed information, except to once again say that our request totals about $2.4 billion in budget authority. It continues to emphasize missions supporting safety, defense readiness, and maritime law enforcement.

By his action in sending this budget request to you, the President has reaffirmed his belief in the priority of Coast Guard missions. His request also reflects a concern about the impact of across-the-board percentage reductions on personnel-intensive operational agencies like the Coast Guard, whose missions are vital to the security and safety and health of America. I hope the Congress will support the President's request.

Now I'd like to turn briefly to our authorization for fiscal year 1987. A Coast Guard-drafted bill is now in final clearance within the administration and I expect it to be cleared shortly. I understand it will be delivered, hopefully, today. I can't speak to its specifics but I would note that it's similar in many respects to the bill drafted by this committee in H.R. 4208. There are some sections of H.R. 4208, however, with which we disagree, or in some cases see as unnecessary. We recommend that the dollar amounts shown in section 2 be adjusted to amounts requested by the President for fiscal year 1987, and to "such sums as may be necessary," for fiscal year 1988.

In the other sections of the bill one of our key concerns is section 5, which would limit contracting performed by the Coast Guard so as to maintain what is often called a "core logistics capability." As you know, the President is strongly committed both to strengthening the defense readiness of this country and to reducing the size and cost of Government. We don't see those goals as incompatible. Over the past 4 years I've overseen a significant increase in the Coast Guard's defense readiness capabilities. Our maritime defense zone role, a growing Reserve strength, new and more capable hardware, more realistic training, enhanced exercise participation, and so on, all speak to our continuing commitment to defense readiness. At the same time, we've also undertaken a number of efforts to be more productive, and to help ease the burden to the American taxpayer, by greater use of private-sector capabilities. Such initiatives have included an agressive A76 contracting-out program that has become a model for the Department of Transportation and, I understand, even in other parts of the Government. A specific mandate to hand off nonemergency assistance cases to qualified private firms, when available; a similar policy regarding domestic ice-breaking; and an effort to contract routine maintenance of aids to navigation in selected noncritical waterways. The underlying philosophy governing these initiatives has been to do them only

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when they will meet all of the following conditions: not inherently governmental in nature; do not jeopardize Coast Guard operational capabilities; do not impact adversely on readiness requirements such as mobilization, force structure, and seashore rotation; and can be done more cost-effectively by the private sector.

I think our record speaks for itself. It is possible to strengthen defense and other Coast Guard capabilities while also reducing the cost of Government. We need the ability to continue to pursue both those goals and in that regard we believe section 5 is unnecessarily limiting.

I'm also concerned about section 9, stating a policy on the use of Coast Guard Auxiliary facilities. But first, let me make one thing very clear. Nowhere, nowhere will you find a stronger supporter of our Coast Guard Auxiliary than I. I've been touting the valuable contributions and cost-effectiveness of those dedicated volunteers throughout my career. My position on that will never change. My concern is that section 9 will be construed as legislating how my operational commanders are to do their jobs. In our business of search-and-rescue and maritime safety and our other work, the operational commander is the one charged with making the decisions that ultimately result in the rescue of property and saving lives. He or she must have full freedom and flexibility to use all the resources at his or her disposal: Coast Guard Regulars, reservists, auxiliarists, commercial firms, or private volunteers, as he or she sees best to meet the situation at hand. At such times that commander does not need any pressures or doubts resulting from legislation that directs priorities in the application of available resources. What they need is the knowledge that they have our trust and confidence as on-scene professionals to use all available resources, people and equipment to get the job done, and done in the best and most cost-effective way possible, given the exigencies of the moment. To the extent that section 9 would confuse that clear-cut delegation of authority, and erode my command responsibilities, I cannot support it.

That concludes my statement, Mr. Chairman. I'd be happy to answer your questions.

[Prepared statement of Admiral Gracey follows:]

PREPARED STATEMENT OF ADMIRAL JAMES S. GRACEY

Mr. Chairman, I am pleased to have the opportunity to meet again with you and other members of the subcommittee to review and discuss the coast guard fiscal year 1987 budget request. As on previous occasions before this subcommittee, I have accompanying me the vice commandant, Vice Adm. Benedict Stabile; my Chief of Staff, Rear Adm. Donald Thompson; the Chief of the Programs Division, Capt. John Trainor; and the Chief of the Budget Division, Capt. Kent Williams.

In my opening statement on February 6, 1986—at the first of these hearings—I provided information on the Coast Guard's fiscal year 1987 budget request. In the interest of time, I will not repeat all of that detailed information except to state that our overall request totals about $2.4 billion in budget authority * * * continues to emphasize missions supporting safety, defense readiness, and maritime law enforcement * * * and will provide for full-time equivalent [FTE] staffing of 38,541 military and 5,527 civilian personnel.

By his action in sending this budget request to you, the President has reaffirmed his belief in the priority of Coast Guard missions. His request also reflects concern about the impact of across the board, percentage reductions on personnel intensive, operational agencies like the Coast Guard, whose missions are vital to the security and safety and health of America. I hope the Congress will support the President's request.

Now I would like to turn to our authorization for fiscal year 1987. A Coast Guard drafted bill is now in final clearance within the Administration. I expect it to be cleared shortly and then forwarded to the Congress for introduction. Although I cannot speak to its specifics, I would note that it is similar in many respects to the bill drafted by this committee, H.R. 4208. I am sure that today's hearings will bring out those areas of agreement.

However, there are a few sections of H.R. 4208 with which we disagree * * * or, in some cases, see as unnecessary. We recommend that the dollar amounts shown in section 2 be adjusted to the amounts requested by the President for fiscal year 1987, and to "such sums as may be necessary" for fiscal year 1988. With regard to the sections which follow, one of our key concerns is section 5, which proposes to limit contracting performed by the Coast Guard so as to maintain what is often called a "core" logistics capability. As you know, the President is strongly committed both to strengthening the defense readiness of this country and to reducing the size * * * and cost * * * of Government. Those goals are not incompatible. Over the past four years, I have overseen a significant increase in the Coast Guard's defense readiness capabilities. Our maritime defense zone role, a growing reserve strength, new and more capable hardware, more realistic training, enhanced exercise participation, and so on * * * all speak to our continuing commitment to defense readiness. At the same time, we have also undertaken a number of efforts to be more productive * * * and to help ease the burden to the American taxpayer * * * by greater use of private sector capabilities. Such initiatives have included: An aggressive A-76 contracting out program that has become a model in the Department of Transportation * * * a specific mandate to hand off non-emergency assistance cases to qualified private firms when available * * * a similar policy regarding domestic icebreaking * * * and an effort to contract routine maintenance of aids-to-navigation in non-critical waterways. The underlying philosophy governing these initiatives has been to do them only when they meet all of the following conditions:

Not inherently govermental in nature,

Do not jeopardize CG operational capabilities,

Do not impact adversely on readiness requirements such as mobilization, force structure and sea-shore rotation,

Can be done more cost-effectively by the private sector.

I believe our record speaks for itself. It is possible to strengthen defense and other Coast Guard capabilities while also reducing the cost of Government. We need the ability to continue to pursue both these goals. In that regard we believe section 5 of H.R. 4208 is both unnecessary and limiting.

I am also concerned about section 9, stating a policy on the use of Coast Guard Auxiliary facilities. First, let me make the record clear * * * nowhere will you find a stronger supporter of our Coast Guard Auxiliary than I. I have been touting the valuable contributions and cost effectiveness of these dedicated volunteers throughout my career.

My position on that will never change. My concern is that section 9 wil be construed as legislating how my operational commanders are to do their jobs. In our business of search and rescue and maritime safety, the operational commander is the one charged with making the decisions that ultimately result in the rescue of property * * * and saving lives. He or she must have full freedom and flexibility to use all the resources at his or her disposal * * * Coast Guard regulars, reservists, and auxiliarists, commercial firms or private volunteers * * * as he or she sees best to meet the situation at hand. At such times, that commander does not need any extra pressures or doubts resulting from legislation that directs priorities in the application of available resources. No * * * what my operational commanders need is the knowledge that they have our trust and confidence * * * as on-scene professionals * * * to use all available resources * * * people and equipment * * * to get the job done * * * and done the best and most cost-effective way possible, given the exigencies of the moment. To the extent that section 9 would confuse that clear cut delegation of authority and erode my command responsibilities, I cannot support it.

This concludes my statement. I will be happy to respond to any questions the committee might have.

Mr. **Studds**. Thank you very much, Admiral.

Before we proceed to questions I really can't resist the temptation to make a couple of observations, to which I will not ask you to respond, unless you feel emotionally obligated, about your opening statement, which we just heard. First of all, I am delighted to learn that the administration's proposed Coast Guard authorization bill is, how did you put it, now in final clearance within the administration. You expect it to be cleared shortly, maybe even today. Since we are today holding our third hearing on H.R. 4208, and since we are marking up next Tuesday, I want to thank the administration for its characteristic timeliness in presenting Congress with its legislative program. You may be sure that the administration proposal will be given the attention it deserves.

Second, I note that on the top of page 4 of your statement you make the observation that "it is possible to strengthen defense while also reducing the cost of Government." Let me just say, as an aside, that that is a tantalizing, implicit assumption that Government and defense are not one and the same, that defense is somehow part of something other than Government. That is an assumption which has apparently characterized most of the rhetoric of this administration, but I will not lay that at your feet. Then you go on to say that you believe that you have been able to do that, to strengthen defense while reducing the cost of Government within the context of the Coast Guard. I wonder, therefore, since you will be retiring from the Coast Guard within a couple of months, whether you would be willing to consider a draft, led by members of this committee, to replace Mr. Weinberger as Secretary of Defense. [Laughter.]

The reporter is sketching a small—what are you sketching? Let's put it that way. Your expression will appear in the record.

Admiral Gracey. I believe the expression in legal circles is, "Let the record show the Admiral declined to comment."

Mr. Studds. I'd even write a letter to the White House denouncing you if that would help you to——[Laughter.]

Admiral Gracey. You wouldn't be the first, sir. [Laughter.]

Mr. Studds. It might be more productive, though.

Finally, you say in your statement that the President's request for the Coast Guard "reflects his concern about the impact of across-the-board percentage reductions on personnel-intensive operational agencies like the Coast Guard, whose missions are vital to the security and health of the country." I'm reassured to know of the President's concern, as you might imagine, but I must admit that I have trouble reconciling that concern with his decision both to endorse and to sign the Gramm-Rudman law that makes precisely that sort of mindless, across-the-board cut a fact of life for the Coast Guard and for most of the rest of the Government. Having said that, let me get on to some questions.

Next week, as I think you know, the House will consider the so-called Omnibus Anti-Terrorism Act of 1986. Included in that bill is a section that would authorize $125 million to assist the Department of Transportation in carrying out its port security and port safety functions. I offered this proposal, I think you know, because it seems to me that if the United States is going to convince other countries to take the terrorist threat seriously, we better show that we take it seriously ourselves. I think it is revealing that since 1980, and I suspect that you are aware of these statistics, at least as well as we, during 5 years in which we have supposedly been building up our defense capability, the number of Coast Guard personnel devoted to port safety has declined by 20 percent; the number of routine harbor patrols conducted by the Coast Guard has declined from 226,000 to 44,000; the number of inspections of waterfront facilities has declined by 50 percent; and that the Coast Guard has been unable to meet even the reduced National Security Council standard for boardings of vessels from Communist bloc countries entering the United States. In light of these kinds of statistics, what I would like to ask in general terms is how the Coast Guard would seek to implement this provision of the antiterrorism bill should it become law and be implemented through the appropriations process? What would be the highest priorities in terms of improving your port safety and port security programs?

Admiral Gracey. Our highest priority, Mr. Chairman, would be to add a number of maritime security specialists who would be available to participate, train, and implement the very kinds of things that you would envision with the act. We would provide additional specialized courses, and I should say that we're doing some of the work now. We do have programs going on in the area of combatting terrorism and have had, of sorts, for some time. As early as 1979, for example, the 12th Coast Guard District, which I happened to command at the time, had a memorandum of understanding with the FBI and other agencies, and we exercised at this very business, even then. But we would start with maritime security specialists; we would improve our training through port security courses, instructors; we would step up our port security card screening; we would add some equipment; we would educate the public; and we would add some additional people to the marine safety offices and other units that would be called upon to respond to an incident.

Mr. Studds. I'm tempted to ask you, more or less on the same lines, about your plans for the ceremony this coming 4th of July in New York Harbor. I don't want to highlight it but it does seem to me that it would be difficult for one to design a more tempting target if we're going to have difficulties. Would you want to say anything at all about the Coast Guard's plans for security at that point and how big an effort is that going to be in terms of the diversion of Coast Guard resources, and should anyone planning to be in trouble at sea that week do so in the immediate vicinity of Staten Island, and nowhere else? [Laughter.]

Admiral Gracey. No, as a matter of fact, I would recommend anyone planning to be in trouble stay as far away from Staten Island as possible. I would like to comment on it, Mr. Chairman, I'd be happy to. It's going to be a huge responsibility for us, obviously. We're talking about, probably, something in the order of $1 million, plus or minus, of additional requirements; unfunded, I might add. Our participation will involve, at current planning, some 330 Coast Guard units; about 1,700 Coast Guard people. That includes regulars, reservists, and auxiliarists. It involves security for the celebration at the statue itself; security for the international naval review; and for the tall ships. I understand that a key part of the celebration will take place on some parts of our turf. It will be a major undertaking. The general approach will be not unlike what we used at the Olympics in 1984; and of course we had some experience in 1976.

Mr. STUDDS. Let me ask you a question on one other general topic and we'll go on with the first round. As we discussed at our earlier hearing in February, the Coast Guard has a shortage of some $140 million this year in operating funds, that is if you include the cuts required by Gramm-Rudman, and the fact that you received no money to pay for an ncrease in military pay. What are your potential options at this pint for increasing your operating funds during the remainder of 186, and what is the likelihood that each will occur?

Admiral GRACEY. Our options or going through 1986, Mr. Chairman, involve continuing the slowdown, squeeze-down——

[Admiral Gracey produces a grph]

Mr. STUDDS. I see you anticipatd the question.

Admiral GRACEY. Well, the la time I came I had to scribble it on a little piece of paper, so I deided I would try to show you, try to be able to point out where weare. I figured somewhere in here, Mr. Chairman, we might get taing about 1986 and 1987, so I—"semper paratus" is our motto, s you remember. Essentially, we started off the year—if I may, si just so the people behind me will know what I'm talking about, thy won't be able to see it, but——

Mr. STUDDS. That's an extradinary performance, Admiral. I should point out that when pede testify for the Department of Defense their charts are absotely overwhelming in size and they're actually visible——[Laugher.]

Mr. STUDDS [continuing]. They also held by four people of the rank of colonel, so we appreciat the circumstances under which you have to operate.

Admiral GRACEY. I gave som thought to having one of our cadets come up, which would e roughly comparable, sir——[Laughter.]

Admiral GRACEY [continuing]. e started off, I hope you can see this—we started off the year a spending—we anticipated a spending slope like this. Came t continuing resolution, it put us onto this kind of a slope, and the came Gramm-Rudman, so we're going to really level off, hopefull o wind up about out here. This would be the $142 million drop om our original spending plan. The slowdown, squeezedown, as know, started at the very first of the year, so that was bringing along this line.

The problem is that right abo in here Gramm-Rudman takes effect, and out in here somewher his is the beginning of our busy season in many parts of the cou y. It is also a time when what we've been absorbing this way, ough such things as using up our spare parts, deferring equip t purchases, canceling routine maintenance contracts, cutting f ries 50 percent, lots of personnel actions that have been held u vill really be felt. We just can't keep going with that all the way at's going to take place out in here somewhere.

Depending on what comes next ar, and what our guess is as to what is going to happen with the 37 budget as far as we are concerned, and depending on what h ens with the reprogramming—it's a no-fund supplemental, b it is really a reprogramming within the Department—depen on what happens with that, that will influence what happe us in 1986. If we are going to have to continue to operate sta at this level in 1987, instead of up here where the President's budget would put us, then we've got to put some money back into the system; we are down to the bottom of the spare-parts boxes, and so forth. The only way to do that is to start closing down things, and if it appears that we are going to be here, or go down, then we are going to have to take rather drastic action out in here.

As we spoke last time, it's all a balloon very much up in the air. Let us say for some reason or another the supplemental didn't come through, or the Congress does not approve it when it does; and let's say the Congress and the President aren't able to get together on the 1987 budget, so the automatics go into effect. I've heard a figure as high as 20 percent—you talked about handing off what's left of the Coast Guard, Mr. Hartnett, that would be exactly the kind of thing we would be faced with; absolute disaster for us. But it is not an awful lot better at, say, 10 percent—10 percent would have some carryover effect from this squeezedown, slowdown. We've got to start putting those parts and maintenance back. We can't keep avoiding that forever. If you took 10 percent, that would be $183 million, we would have a $275 million effect out into here, and you know what we talked about with $230 million last fall. I don't know whether that explanation helps or not.

So far we've managed to absorb that lower spending rate through the kinds of measures I explained. But we've got to start coming up on the spending this spring or early summer. We're actually down below the line somewhere now and coming up.

Mr. STUDDS. Let me just clarify one thing. Because those two or three lines, starting with the top one, appear to be rising, you do not mean to suggest, obviously, that that is a rate of increase in Coast Guard spending?

Admiral GRACEY. No, sir; what this is—thank you for asking that question, because I didn't explain it very well—what it means is a rate of spending, and I must ask my graph drawer why it doesn't start at zero on day 1 of the fiscal year. What that is supposed to demonstrate is, given a normal circumstance, we would have spent zero on day 1 and by the time we got to the end of the year we would have spent the $1.78 million. So this just represents——

Mr. STUDDS. I understand.

Admiral GRACEY [continuing]. Gross spending as we go through the year, and to show that the slope of our spending had to taper down so we would wind up at a lower level at the end of the year. It is not a growth in spending, it is a steady state, really.

Mr. STUDDS. On the very top line there, the highest number is the President's original budget request, is that correct?

Admiral GRACEY. Yes, that figure is the President's original 1986 request. The middle line is the effect of the pay raise plus the shortage. The bottom one is Gramm-Rudman.

Mr. STUDDS. So what we are falling below in each of those succeeding cuts is not some extraordinarily generous, pie-eyed, out-of-proportion congressional authorizing figure. It is the actual budget request of an administration not noted for its generosity, generally speaking. And everything else is worse than that.

Admiral GRACEY. That is correct, sir.

Mr. STUDDS. I think that is important for the people to understand. I appreciate that.

Admiral **Gracey**. It starts at a very hard-nosed figure. That 1986 figure going in was a really hard-line figure, yes, sir.

Mr. **Studds**. Now in the event that the Gramm-Rudman ax falls on October 1, in the neighborhood of 20 percent, plus or minus, you will—I won't finish that sentence, I think you finished it—it would be a catastrophe for the Coast Guard, would it not?

Admiral **Gracey**. Absolutely; we would not have the Coast Guard serving America as we know it today. We would have a Coast Guard, but it would not be recognizable.

Mr. **Studds**. I understand.

The gentleman from Michigan.

Mr. **Davis**. Thank you, Mr. Chairman. Let me just follow up a little more on fiscal aspects, to see if I understand this. Admiral, what you're saying is that with the $140 million in areas that you've had to cut, you're going to be able to limp along until October 1, is that correct, without making any major changes, without closing some search and rescue stations?

Admiral **Gracey**. Without making major programatic reductions, only if we get the approval of the proposed no-fund supplemental which reprograms funding within the Department of Transportation. That is if it's approved up here when it finally gets here.

Mr. **Davis**. Could you talk a little bit about that? What are we talking about, are we talking about $40, $50 million? Do you know yet, has the Secretary decided what it's going to be?

Admiral **Gracey**. She has decided, Mr. Davis, but I'm not at liberty to talk about it until it comes up. But you're in the ballpark.

Mr. **Davis**. The dollar amount is enough to keep the Coast Guard operating without making any major changes, without closing search and rescue stations, without doing a lot of those things until October 1? Is that correct?

Admiral **Gracey**. We have already made some minor changes. What you said is what we hope will happen. We are hanging on by our fingernails; we are walking a tightrope. For example, we had the *Challenger* explosion. That cost us $2 million we had not planned to spend. The Statue of Liberty is going to cost us $1 million, but we knew that. It is not funded, but we knew it was coming. It depends on how many major events hit us as to how long we can hang on without making some of these kinds of changes. In the meantime, we are looking at getting a headstart on some of the kinds of productivity improvements we need to make to meet the mark in 1987.

Mr. **Davis**. Does the reprogramming include money appropriated to the Department of Defense?

Admiral **Gracey**. No sir, it is all within the Department of Transportation. It is a zero sum supplemental, function 400, zero outlay, no funding, in effect, just reprogramming within the Department.

Mr. **Davis**. OK. Any ACI?

Admiral **Gracey**. Yes sir; there is some ACI reprogramming involved—there is a whole range of things that are included but I would anticipate there would be some reprogramming within the amount that is authorized in law, yes.

Mr. **Davis**. When are we going to see the figures? Do you know yet?

Admiral **Gracey**. I had hoped you would be able to see them before I got here this morning, sir, but it is still under discussion.

Mr. **Davis**. Still under discussion in the Department?

Admiral **Gracey**. In the administration.

Mr. **Davis**. OK, Admiral, you must, you do have, a list of cuts that you're going to have to make in the event that you don't get your reprogramming money, and perhaps a list that goes beyond that. Has the Appropriations Committee asked you for a list of proposed cuts?

Admiral **Gracey**. Several times, sir.

Mr. **Davis**. And you just keep putting them off like you keep putting us off. We are probably glad that you're doing that. Is this list of cuts written in stone or are you still negotiating——

Admiral **Gracey**. Excuse me, sir, but the reason I did not want to give you a list before, and the reason I tried to explain to the Appropriations Subcommittee as to why I was reluctant to give them a list, is that it is not etched in stone. Far from it. There are so many variables that can impact on it that we don't know ourselves. We know generically the kinds of things, You can tell generically, You know what we told you for the $230 million—which was a finite number for a finite period of time. That was easy. But we don't have either of those things.

Mr. **Davis**. I don't want to see the list either because I'm probably not going to like it. I guess I'm glad that you have not given the list out. I think that is good. I do not have any more questions at this time.

Mr. **Studds**. I assume in the compilation of that list, Admiral, you are taking careful note of the votes on Gramm-Rudman.

Admiral **Gracey**. That does not have anything to do with it at all. Mr. Chairman, if I may, so that the record is clear, I should respond to that by saying who voted for what has nothing whatsoever to do with our list. We are going to work——

Mr. **Studds**. Heaven forbid.

Admiral **Gracey** [continuing]. On those things that will hurt us the least. They will all hurt us.

Mr. **Studds**. That's exactly what I suggested.

The gentleman from Washington.

Mr. **Davis**. Mr. Hartnett asked that I have this statement introduced on his behalf. And he has some questions, Admiral, that he has submitted in writing that he would like to have the Department respond to.

[Statement of Mr. Hartnett follows:]

Prepared Statement of Hon. Thomas F. Hartnett, a U.S. Representative From the State of South Carolina

I would like to have the following statement and questions introduced into the record of the March 13, 1986 hearing of the House Subcommittee on Coast Guard and Navigation.

Commandant, when compared to some of the problems and delays the Coast Guard has experienced on other programs, your HC-130H PILOC (Procurement In Lieu of Conversion) program can no doubt be looked upon as a "model' or "idea" acquisition effort.

PILOC was a creative approach which proved quite successful and has provided you with an asset that is both dependable and productive. The program has remained ahead of schedule and under budget and I'd like to see us continue with this program until we reach the 40 Long-Range Surveillance (LRS) airplane goal. I certainly plan to encourage programs of this nature.

No doubt, the HC-130s play a significant role in your military readiness contingency plan. I know the joint Coast Guard/Navy Maritime Defense zones have been established and the Coast Guard is extremely critical to our nation's wartime and/or National Emergency Strategy.

Without getting into classified areas can you share with us some of the added burdens that would fall on the Coast Guard in such an emergency?

What about the HC-130H, what part will it play in your MDZ plan?

If a contingency plan required relocation of your Long-Range aircraft, do you feel you can also continue to meet the needs of Search & Rescue, Marine Environmental Protection, International Ice Patrol, Fisheries Patrols and Drug Interdiction?

Just how critical is your role in military readiness?

Are you taking steps to further enhance the HC-130H capabilities in areas of secure voice, improved sensors, etc?

Projecting into the early 1990's, do you feel that a total fleet of 40 HC-130Hs will allow you to accomplish all of your mission requirements?

EDITOR'S NOTE.—Responses to above questions appear at end of hearing.

Mr. STUDDS. The gentleman from Florida.

Mr. BENNETT. I've listened with great interest to what you've said. You undoubtedly study Congress like the Congress studies you, and you undoubtedly have a feeling that there is a great well of appreciation for the Coast Guard and the things that it customarily does. There is not a feeling that the Coast Guard wastes money. There is not a feeling that it calls for a bureaucracy. There is a feeling that you do a good job, and have done it consistently through the years.

Now with that kind of a background, and faced with the fiscal situation we have today, I'm not sure you could structure your request to Congress along the lines that I would suggest. But if you could structure it in such a way that, first of all, you have a feature that has to do with the ordinary operations of the Coast Guard; and then that you have entrusted upon you a phenomenon that we hope will be temporary but still is staggering in its size, namely the drug operation.

There is not a vote in Congress against the drug operation. Nobody is going to vote against these funds. Nobody is going to vote against the special costs of taking care of the Statue of Liberty in New York, or of the tall ships. Those are dramatic instances of specialties that you're going to have. All I am going to ask you is, Is there some possibility that you could frame your request, or we could frame your request, in a way in which Congress could, first of all, vote upon the basic idea that the Coast Guard has not been wastefull and needs a certain degree of growth for its ordinary operations? I think the Members of Congress would overwhelmingly endorse you on this. Then when you got to the field of drugs, which is a very expensive operation, if you could have it separately handled in some way, I believe that there would not be a single vote that would not be generous with you in that particular fight. I'm just wondering is there some way in which you could structure your request where these practical political considerations can be handled. If Congress just approaches the overall figure of the Coast Guard as taking care of the funds of the Coast Guard and its growth which involves these exceptional things as well as its ordinary growth, and ordinary use, you're likely to lose out. Congress is likely to say, well, we've got to do it, we've got to make those cuts. But if you could some way specialize it to these special purposes which are so very much needed and so popular in our districts, because they are so needed, that might be an asset. Is there some way in which you could do that?

Admiral Gracey. In a sense, Mr. Bennett, we do have that information in the budget justifications. The problem is two-fold. One is that the strength of the Coast Guard, the thing that makes us as good as we are, and to be able to do the kinds of things we can do—like take on the *Cnallenger* recovery operation without batting an eyelash—is the multimission nature of our facilities and people.

We had vessels out there whose purpose was to keep the area secure during the launch. We had an 82-footer out there with a young officer in command, 2 years out of the Coast Guard Academy. They were under *Challenger*, it was the fifth launch they had been out there to keep small boats and intruders out of the area. It blew up right over their heads. The pieces rained down on them for an hour—on him and his crew. And he told me there was not a word said on that boat for an hour, but everybody went about their duties. As soon as it stopped he stepped in and secured the area and started controlling search aircraft. It then got farmed back to his group commander and more forces ultimately came in to the district.

The point is, we don't exercise for that sort of thing. We don't train for what you do if the shuttle blows up over your head. But they could do it. They knew how to do it because we do variations on that sort of thing all the time. We use the search sensors we developed for our aircraft to find oil spills, and to find small objects in the water. We used it to detect pieces of floating debris. We used the shallow-water sonar on our 378's that is valuable in our maritime defense zone role. We actually located many of the objects on the bottom because we were the only ones out there that had shallow-water sonar.

I'm telling you all this to illustrate that the multimission nature of the Coast Guard is what makes us as good as we are. Our people can take on almost any job any time. Obviously, we can't send a 95-footer to the South Pole to break ice. But the breaker that goes to the South Pole to break ice does, in fact, make rescues; does, in fact, apprehend drug smugglers; does, in fact, do surveillance work with its helicopters en route to the South Pole, and so forth.

Thereby hangs the problem of doing what you are suggesting. How do you single out one of these units for the drug interdiction label—or any other label? Sometimes we can. For example, we have bought specialized equipment, like secure-voice communications that is going to put us in good stead in the law enforcement effort. It is also essential to our defense effort. We call those things out with the individual line items and we focus. We spread our costs across all our units according to how much time in the year they spend on whatever mission. And safety, of course—search and rescue—is something that everbody is concerned about, and that is built into all of these things.

I understand what you are saying, and we have thought long and hard about how could we do it. We have tried to put the emphasis in selecting our priorities of the items that would be in the budgets of the last several years, on those things which seem to be high priority in this country: defense, drugs, and safety. We have pointed out how each item we've asked for would be a contributor to those priority matters.

To do what you suggest—we can sort around and say this many items fall into that category, we could pull that out—but always with the caveat that if you're talking about another patrol boat, yes, you are talking about a drug interdiction resource. And that will be its primary focus for the next while. But you are also talking about a rescue boat and all of these other things.

Mr. BENNETT. I understand the difficulty in what you are confronted with, and I think that you are looking at it perfectly as an administrator of this fine program. I can tell you what I think, from a political standpoint, might get you off this very awkward hump we are on now where Members of Congress, if the issue is not presented to them in its most attractive fashion, are likely to just say the Coast Guard, like everyone else, has got to take its lumps. You have there, untouched, the feeling that everybody in Congress is enthusiastic about fighting drugs, and most Members would be enthusiastic about this celebration in the harbor. I don't believe that you can lump the tragedy at NASA—I think that though that's something special it would have to fall into the general thing. I understand how you feel about it. That's another great exception that the Coast Guard has to come in and take hold of. But you've got an on-going, tremendous responsibility with regard to drugs, and you have this incidental one in New York City, which costs a million or more. I think those symbolic things, if you can add them on top of what you ordinarily would get, Congress would vote for it. But if you lump it all together, it's going to be a little difficult. Everbody is going to shrug their shoulders and say the Coast Guard has to take whatever it's got to take.

I know it's difficult to do, and I know it's not altogether logical. But politics is not a very logical thing. It has to do with what touches peoples' hearts and whether or not, when they go home, this is something that people will support them upon. I'm primarily on the Defense Committee and I get so tired of everbody saying defense ought to take its lumps like everbody else. That's absolutely absurd. The Constitution of the United States says that the primary responsibility of the Federal Government is to see we exist, that the Country survives. Defense is the heart of it. Most of these other things people talk about are not the heart of it at all. They are not even authorized in the constitution as a Federal function. They get it by grants-in-aid and things like that.

The heart of it is to stay alive, to exist, as a government. This falls on deaf ears when people say to me defense has got to take its lumps. Defense has got to have what it takes to make this country survive. That's the only test. It ought not to spend $1 more than it needs, and it ought not to spend $1 less.

When it comes to the Coast Guard, it's got some fundamental things it's got to do. Congress agrees with that. I think I made my point, I don't want to lecture any more. If I can help in any way with this I'd be glad to. I think if you could structure it in a way in which Congress would take the Coast Guard, with a reasonable growth, or status quo if everybody else has to have status quo, and then add to it these new things that Congress is not about to turn down. If you could find a way to do that, I think you would come out with a much bigger figure at the end, and one you need.

Admiral **Gracey**. Mr. Bennett, I appreciate your advice and your counsel very much. You said perhaps it's not logical. What you say is very logical. It is just extremely difficult to do. Incidently, I was not singling the tragedy out. I did say earlier that is an example of unexpected funding requirements. For you, I was sighting it as an example of how our multimission comes to bear. It's not so much that it costs money, but it's why we hang so tenaciously on the multimission approach, of not saying we are going to have resources solely dedicated to any particular thing. Once we do that we think we become not anywhere near as cost-effective as we are. And that was only by way of explaining. Sir, I'm not arguing with you.

Mr. **Bennett**. I've got to leave. I've got to get to another committee.

Admiral **Gracey**. I appreciate it very much, sir, and thank you.

Mr. **Studds**. The gentleman from Georgia.

Mr. **Thomas**. Thank you, Mr. Chairman. Admiral Gracey, I would like to talk with you a second or two about our C-130 long-range surveillance aircraft, and see if you might be able to respond to some of my concern. Our hope has been to get that number of aircraft up to around 40, in the long-range surveillance aircraft type, for the fleet by the end of 1986. I guess we will have 26 total out of that 40 by that time. Is that correct?

Admiral **Gracey**. The figure of 26 is correct. I'm not sure I know where you're getting 40, sir.

Mr. **Thomas**. I thought this was under our planning for the long range. We were talking about eventually working up to a total fleet of 40 of those aircraft.

Admiral **Gracey**. I think I'm on record as saying 31, but as our aviation long-range plans develop and as we move down the pike there may be higher figures, but I'm on record as saying 31, sir.

Mr. **Thomas**. Well, apparently, our records don't coincide from what you've indicated. At any rate, let me go ahead and proceed here. If your figure of 31 is what we are talking about we would be talking about 5 aircraft left to acquire somewhere by the end of 1988. Would that be your target date or are you planning on stretching out the number of aircraft?

Admiral **Gracey**. At the moment we are planning on stretching out, sir.

Mr. **Thomas**. The point I'm getting at here is how, in this very important area of acquisition, I think, because I have a coastal area that is very much involved in the drug problems. With Florida just below us and a coastline that is very receptive, and I don't mean from an attitude standpoint, but from the nature of the geographical makeup of the coastline, is very well-suited for drug smuggling. So I'm very concerned from that standpoint. I know also that these aircraft would certainly enhance our military readiness. I'm just wondering in this very important dual purpose for these aircraft—the drug interdiction effort and the readiness aspect—are we going to see this program sidetracked by the kind of cuts that we are talking about and the things that are quite possible? Or can you maintain this approach to get up to 31 aircraft, and again I want to talk with you further about this question of 31 or 40, because it's been my understanding all along that we were talking about a projection of somewhere around 40 aircraft that would be needed in the long range.

I guess what I'm really trying to say to you is I don't see how anything is more important to us, and it certainly is part of military readiness. Let's go back to your figure of 31. What would be your estimate if you had to go back now and make reductions in your acquisition program? How will it affect your getting up to that 31 number, and what timeframe? Can you give me any clear indication on that?

Admiral GRACEY. The timeframe will depend on the nature of the funding that is available over the next several years. That's really indeterminate at this point. There would be a deferral. There are some issues I would like to explain. One is that we don't have enough operating expense money to fly the ones we've got.

Mr. THOMAS. I understand that.

Admiral GRACEY. The one thing that I am concerned about, have been concerned about for the entire 4 years of my tenure—and before that. I have mentioned it often when I've been in a position to talk about it up here at this table. That thing is that we tend to lose sight of the operating expense money. We want hardware, we need hardware, at a reasonable pace. And we've done very well at that over the last several years. We have the new jets, we have the new helicopters, we're getting new C130's, and the ones we have have all been rehabed. We've got new patrol boats. A lot of new things coming down. Our ships are being overhauled. That's wonderful, and I love it.

The effort to provide that for us, while very welcome, gets to a point where it outstrips our ability to use them. Carried to its extreme, we would have a whole fleet of new ships tied up to the dock and nobody to sail them. Or a whole bunch of new airplanes and nobody to fly them. Or no money to buy fuel. There comes a balance. We've got a range of things we need to spend our money on and we've decided that, at least for the moment, the 26 or 27 C130's, whatever the number is that's in the mill at the moment, equipped with the new forward-looking radar, and with the new capabilities will serve as well—and incidentally, search and rescue and safety are very much a part of this—not just the drugs and the readiness.

All other things being equal, we'd say give us those airplanes, give us the money to fly them, and let's go. But all other things are not equal, and we're making choices.

Mr. THOMAS. So you're saying that we might then not even be up to the 26 by the end of——

Admiral GRACEY. No, no, we will definitely be up to the——

Mr. THOMAS. We are going to attain the 26 number?

Admiral GRACEY. No. 26 is already ordered. That's coming. That will be here next winter I think.

Mr. THOMAS. That was my understanding.

Admiral GRACEY. The question is whether we'll be able to fly it.

Mr. THOMAS. Well certainly I realize that Congress has got to provide the operating expenses to support you in that effort. When I look at the kinds of cuts we are talking about, I think, if I am hearing you right, Admiral, that I'm hearing you say that you think the number of 26 is attainable but you really don't know where we are going from there. It was my understanding we were talking about 40. So I was looking at a force of C130's that seemed to me like we were cutting almost in half what we had originally said we needed. You remind me of this number of 31, it's still on a percentage basis as a considerable shortfall from what I thought we really needed in the nature of C130 aircraft.

Admiral GRACEY. Just to illustrate the nature of the problem, Mr. Thomas, we are at a threshold where when we get a couple more C130's we will have to make some major modifications in the air stations from which they fly, because there is not enough runway space and hangar space and so forth. That has to be a factor in our consideration as well.

Mr. THOMAS. Let me wind up with one more question. You might care to respond to this and you might not. I certainly don't think that the drug problem is going to go away. I think all indications are that it's a growing problem. It is going to be exacerbated over the coming years. At the same time I see a major component in what I think is our best means of interdicting and stopping and thwarting that traffic being put on hold, being sidetracked here, not to mention the importance in the military preparedness and readiness as well as the rescue and search effort. This concerns me considerably and I would like to talk to you further. We'll exchange and let me get cleared up on this question of whether it was 31 or 40 aircraft that I originally thought we were looking for.

Admiral GRACEY. Thank you, sir, and I appreciate your interest. In talking defense with us we're including the maritime defense-zone role. The C130 is a marvelous airplane, it is a workhorse for us, and we love them. If I said anything to indicate that we're not happy having C130's, or the right number, let me correct that record. It's only a matter of timing and priorities at the moment.

Mr. THOMAS. No, I did not interpret anything in your statement to indicate such, Admiral.

Thank you, Mr. Chairman.

Mr. STUDDS. The gentleman from Delaware.

Mr. CARPER. Thank you, Mr. Chairman.

Admiral Gracey, gentlemen, welcome this morning. I just want to get off a couple of points that don't really pertain to your testimony. First of all, I'd asked, through our chairman of the subcommittee, for a report from the Coast Guard on a review of the cleanup of the oil spill that occured on the Delaware River late last fall. I want to thank you for a very complete report. I'm going to be meeting with some of your folks to examine that a bit further and delve into it a bit deeper. I appreciate very much the prompt response and your willingness to examine a bit more closely.

I'd also asked, I think at your last appearance, what we might do as a Congress in order to help you save money. You had come up with some ideas, I think, that you put in a letter to me and I've asked my own staff to maybe schedule some followup sessions with you involving the subcommittee of this staff. I look forward to pursuing those.

Something that comes a little bit closer to home to what you were talking about earlier today, and I apologize for missing your testimony. I have another subcommittee hearing that I was trying to listen in on, as well. You may have addressed this, but for my own edification, how have you been meeting your own Gramm-Rudman spending reduction requirements for this fiscal year? How did you go about doing that, or how have you?

Admiral Gracey. So far, Mr. Carper, we've done it by a continuation of the very stringent slowdown, squeezedown program I put into place last October when the Senate suggested a cut of $230 million. When we saw the House of Representatives with their marvelous vote of 400 to 6 in support of us we thought, well, that's good, we'll get the money back and we'll go back to normal operations. But the continuing resolution didn't do that and Gramm-Rudman was looming on the horizon; so we thought it wise to continue severely curtailed spending.

So we've been in a slowdown, squeezedown since the first of October. By that, I mean, slowdown is canceling routine patrols, cutting fisheries enforcement in half, that sort of thing. Squeezedown is mortgaging our future; not doing maintenance, using up our spare parts inventories, not buying replacements, trying to fix something that in the long run would be cheaper to throw out and replace over the years, but you don't have enough immediate money to do it, so we're trying to fix it as best we can and keep it running. That kind of thing is what we're doing. We've made some adjustments within our organization, some consolidations, moving toward regionalizing in some things. And we've made some minor deletions from some of our program areas.

Mr. Carper. Let me say I know it hasn't been fun. I know it hasn't been easy. Those of us who serve on this subcommittee and our own subcommittee staff have had to go through similar kinds of exercises. It has caused a bit of pain and agony. I appreciate your efforts and those of the people with whom you serve.

Admiral Gracey. Thank you for the latter, sir, because as you well know in your experience with the Navy the people who really deserve the credit are the ones in the field who are figuring out a way, somehow, to keep operating and enduring the hardship of not getting transferred when they should, not having the right parts, not having something repaired that should be repaired. They are the ones who are doing it and they're making it happen.

Mr. Carper. There are a number of policy questions that are spelled out in a memo that was prepared for the members of this subcommittee by the subcommittee staff. Those policy questions apparently were posed to you and I would presume that you have addressed them in your testimony. So rather than my delving into those at this time, I will simply take the time to review what you have said and if I find that the questions have not been answered in your written testimony then I'll just maybe make a phone call and see if we can't get some more answers. Until that point, I'll just again say thanks for joining us today.

Admiral Gracey. Thank you, Mr. Carper.

Mr. Studds. Admiral, I have a series of specific questions about the provisions of the bill which I'd like to ask in preparation for the markup on Tuesday. It is a general principle, as you know, of this subcommittee that we always ask what the administration thinks before going ahead and doing the right thing. [Laughter.]

First of all, H.R. 4208 is drafted as a 2-year authorization. Do you believe that is wise, or do you think the budgetary outlook for 1988 is sufficiently uncertain that we ought to reduce the scope of the bill to a single year?

Admiral Gracey. My personal opinion, Mr. Studds, is that it ought to be a single year. We have suggested in the alternate authorization bill that was delivered, I think, today or will be soon, that we just put some generalized words—with things as uncertain as they are now I don't see how you could possibly authorize over a 2-year period and have it meaningful.

Mr. Studds. Referring back to your opening statement for a moment. You mentioned with great enthusiasm your "aggressive A-76 contracting program, that has become a model in the Department of Transportation." You then talk about how much your contracting has reduced the cost of Government. That particular assertion stretches the credibility, at least to this Member, a bit, to tell you the truth. Could you or one of your budget people with you tell us approximately how much money your contracting program has saved the Government so far?

Admiral Gracey. It's—we'll provide the correct figure for the record, but it's in the tens of millions of dollars, sir.

Mr. Studds. You also expressed concern——

Admiral Gracey. Excuse me, I'm sorry. I got carried away.

Mr. Studds. I thought so.

Admiral Gracey. We'll provide the right figure for the record. I'm told it's not that much.

Mr. Studds. Less than tens of millions?

Admiral Gracey. Yes, it must be, sir, they all went "AAAHHHHH" [expression of great anguish] when I said that. [Laughter.]

[Directed to reporter]—I don't know how you're going to get that on the record.

Mr. Studds. That, that—yes. OK. We will look forward to that number.

[The following was submitted:]

Contracting Program Savings

To date, the anticipated annual savings to the Government are approximately $9.2 million resulting from the contracting out of various activities in accordance with OMB Circular No. A-76. Actual annual savings to the Coast Guard budget are anticipated to be approximately $4.9 million. This differential is due to savings that accrue to the Government but not the Coast Guard (e.g., retirement, cost of capital, and federal income tax).

Mr. Studds. You also expressed concern about section 5 of the bill in your statement which seeks to guarantee the continued viability of essential Coast Guard missions. You list a series of conditions that you place on your own contracting efforts on page 3 of your statement, including the requirement that contracting not be done if it would impact adversely on readiness requirements such as mobilization, force structure, and seashore rotation. You then say that section 5 is both unnecessary and limiting.

Could you tell us more precisely what the problem is with section 5? It seems to me that it is fully compatible with your own description of what the Coast Guard's contracting policy is and ought to be. If that is so, it might be unnecessary but I hardly can see how it would be limiting.

Admiral **Gracey**. Section 5, as I remember it, deals with what is generically referred to as the "core logistics" idea that we would have certain functions that are preserved. The limitations we saw, Mr. Studds, were that it would—I think the better thing to say is that we don't think the legislation is necessary because there is machinery already in place to deal with that. We already send you up a list each year of what we're going to do under A-76, and you have a certain amount of time to say don't do it, or before you go any further with that tell me, or whatever, to take action on it. That is already in place, and as I read this, section 5 essentially would do the same kind of thing.

It is important—one part of section 5 I like is that it does note that there are some things we are doing which are in the national interest, and which we need to maintain to sustain our capability. A couple of examples that occurred to me are the Coast Guard Yard and our Aviation Repair and Supply Center at Elizabeth City. Those facilities are very necessary to us. What may or may not be necessary to us, or may or may not be the best way to run them, is whether they are entirely operated by Government employees. That remains to be seen under the A-76 review process. We would prefer to have the option to look at that if the opportunity seemed to prevail.

Among other things, the A-76 review process not only talks in terms of whether you should contract or not, but it forces the Government to devise the single most effective management system. It should not be necessary to have that lever. We think we are very effective, but nonetheless in some cases we have found that when put to the wall, or writing it down on paper, there are some better ways to do things. And even though we do not contract out, then we must use those better ways. So it does give us flexibility in that regard.

Mr. **Studds**. Turning to section 9, which you had some unkind words for. It would require that full use be made of available and qualified units of the auxiliary in responding to search-and-rescue calls. Some concern was expressed at our hearing on February 25 that this would lead to safety problems due to the alleged inability of the auxiliary to carry out towing operations in a safe and professional manner. Given the fact that this language would not alter the authority of regular Coast Guard officers to determine who should respond to a call for assistance, given the inclusion in the proposed section of the adjectives qualified and available with respect to auxiliary units, do you believe that enactment of this section would have a harmful effect on safety?

Admiral **Gracey**. I'm interested in your words "given the fact that the authority of the commanding officer wouldn't be modified." Sir, in effect the act would do just that. It could be read as altering the authority of the commander on scene. It could have an effect on safety, depending on how field commanders interpret it.

One of the things I've discovered over the last couple of years is that if there is any possible way for someone to read something differently, they'll do it. We very carefully crafted the words of our policy to set the broad parameters, but to leave the door open for the Commander scene to make that decision which was best to make at the time——

Mr. Studds. Let me object for a moment, if I may, Admiral. We don't disagree with that. And since we're the ones that write the laws and say how they should be interpreted—which occasionally is understood, both by those who interpret them and by those who carry them out—this is not a complicated sentence: "The Commandant shall make full use of available and qualified members of the auxiliary." The determination as to who is available and who is qualified is that of the Coast Guard. That's the clear intention of the committee and certainly, if this becomes law, we'll make that explicit in committee language.

Admiral Gracey. Our concern, Mr. Chairman, is it says "shall make use."

Mr. Studds. Yes.

Admiral Gracey. That means to somebody out there somewhere anytime the local man decides I am not going to send an auxiliarist today, I am going to send a commercial person, or I'm going to send a regular unit, or I'm going to use a private volunteer, because in my judgment that is the most effective way to handle this case—that auxiliarist will feel that we have not complied with the law. Compounded, we feel that we will be opening the door. And we don't feel it is necessary.

Mr. Studds. It is a question of interpretation.

Admiral Gracey. That is correct.

Mr. Studds. Finally, let me turn to our vetoed landmark legislation. As you know, the President vetoed H.R. 2466, which I'm sure you agree was a genuine landmark. It included provisions of great importance to the residents of Bayou Lafourche, Lawyer's Ditch, St. Paul Island, and other tourist areas. In an effort to protect the President from the uprising of public anger that is beginning, I'm sure you've sensed it, to manifest itself as a result of this veto, we would like to act again on the bill—daring, that we are—perhaps with some modifications to give the President a face-saving way to sign the bill the second time around. I know you can only speak for the Coast Guard and to a certain extent for the Department of Transportation, but could you tell us which three or four provisions of that bill would pose the most serious barrier to a Presidential signature should we reenact it? What's wrong with it? What's the worst part of it? What will save it?

Admiral Gracey. I understand the question, sir. [Laughter.]

If you will permit me, sir, before I answer, I'd like to go back to the last one and just say if it is your intent to express the congressional support of the auxiliary and the value of the auxiliary and to encourage us to use them to the greatest extent possible, I will stand up and applaud. I couldn't agree with you more. Our only concern is on direction to do things, from on high, and for the Congress to start telling the Commandant how to run the Coast Guard, in the sense of how to use the individual pieces of the Coast Guard in doing the Coast Guard's work. Those are our concerns.

On the matter of the Presidential veto. I don't really think I can make judgments as to what are the three or four most important, but I can tell you the things of concern. You, of course, could read that in the message. Applying the Davis-Bacon Act to the Willamette River Bridge causes great grief because it sets a precedent that may come back to haunt us and haunt the Federal Government forever. We have never used the Davis-Bacon Act with regard to bridges because those are not Federal contracts. The Federal Government pays the bill but it is the bridge-owner's contract. This will open the door for every bridge we ever do, or perhaps ever have done, to go back and have to pay that extra money. Aside from the fact that it costs another x million dollars to do the work under Davis-Bacon. And those are Federal dollars. So that's one.

There was concern about selecting one particular waterway where we could not contract. That again leaves open, in my mind, the question of the intent of Congress. There was concern that that limits the ability to go into reducing the cost of Government.

In the same subject of bridges, there was the Greens Bayou in Houston which is not eligible for Truman-Hobbs, is not one which should be considered in that program, and to put it into that program again, opens the door for bridges all over the place to start coming under Truman-Hobbs.

On our part, and within the Department of Transportation, the Secretary was extremely concerned about the *Delta Queen*.

Mr. STUDDS. As you know, we are going to have to wrap this up. I am spared having to wax emotional about what is your last appearance before this committee because I don't think this is it. I have the feeling you'll be back here on your favorite subject, and ours, as Commandant still—namely user fees. In which case we promise to prepare adequately for sufficient emotional waxing for your imminent departure. I would say that if you had already departed and were sitting here as the former Commandant of the Coast Guard—I'm speaking for myself now—my guess is that you would have some stronger language on some of the subjects that we have been discussing. As you know, the President—I think that's probably the first bill ever produced by this committee to be vetoed by the President—I don't know whether we're proud he noticed us, or if our feelings are hurt. I would observe, however, that it is perhaps amongst the most innocuous of bills to be dealt with by the Congress in many a year, of little sections perhaps of consequence to each particular ditch or bridge or harbor or pier, but really not one of the great legislative accomplishments of our time.

If the President had saved his veto pen and his veto eloquence for the Gramm-Rudman bill, we might be in a hell of a lot better situation then we are now. Somebody in OMB is running around nitpicking, to put it politely, looking for little things to write veto messages about, where the disasters are signed with great hoopla, which is too bad. I'm sure that several months from now you'll be able to say what you really think about things like that. One of the few really good things about the job that we hold on this committee is that, for the most part, we can say what we think, especially about the President. And that's emotionally satisfying, if it is not particularly productive.

So, I want to thank you for what you have put up with and the leadership you have provided the Coast Guard under the most extraordinarily trying of circumstances. I doubt that the cadets behind you at this point yet have any way of fully appreciating the adversities through which you have led the Coast Guard in the past few years. Perhaps because of the constraints of your own position, you haven't been able fully to explain it to them yet. But those of you back there, ask him in about 3 months what it was really like and you will get a kind of education you probably won't get in your visit to Washington this time.

I hope that 4.3 percent more of you are not refused permission to go back to New London. I hope that somehow they will find a way to get you back there. Do not, under any circumstances, stay long in Washington. It is not good for living creatures——

[Laughter.]

Mr. STUDDS. [continuing]. You would do much better in New England.

Admiral, thank you very much. We will see you shortly again.

Admiral GRACEY. Thank you, sir.

Mr. STUDDS. The subcommittee is adjourned.

[Whereupon, at 11:15 a.m., the subcommittee recessed, to reconvene subject to the call of the Chair.]

[The following was received for the record:]

QUESTION SUBMITTED BY MR. HUGHES AND ANSWERED BY THE COAST GUARD

Question. As you my know, volunteer rescue squads along the Delaware River in Salem County, New Jersey have played an active role in assisting the Coast Guard in search and rescue activities. During the 1985 boating season, for example, the Lower Alloways Creek Fire and Rescue Squad responded to 44 search and rescue cases. Coast Guard records indicate that the volunteer group saved 11 lives, 10 of which were removed from sinking vessels. I suspect that similar services are provided by local rescue squads throughout the country.

Currently, volunteer rescue squads are not entitled to reimbursement for fuel or other costs incurred during search and rescue operations. The Coast Guard Auxiliary, on the other hand, is reimbursed for providing similar services. The reauthorization legislation would even go as far as providing interest on certain claims submitted by Auxiliary members (Section 8).

Would the Coast Guard support legislation providing for limited reimbursement to volunteer rescue squads which perform search and rescue activities and other services similar to those provided by the Coast Guard Auxiliary?

Answer. The Coast Guard does not support this legislation. A variety of implications make it undesirable on a national basis; and, alternatives, already exist which make it unnecessary. One of these alternatives results from the Coast Guard's funding of State programs for boating safety. Another alternative is enrollment in the Coast Guard Auxiliary.

Volunteer fire and rescue squads are eligible to receive funding from state programs supported by Federal financial assistance disbursed from the Boat Safety Account of the Aquatic Resources Trust Fund, authorized in Chapter 131 of Title 46 U.S.C. The alternative of vying for this financial assistance is permissible inasmuch as search and rescue activities do indeed support boating safety. Moreover, these funds provided to states under auspices of the Coast Guard's Recreational Boating Safety Program may be properly applied in reimbursing volunteer groups whose activities are largely confined to State waters.

Enrollment of any volunteer fire and rescue squad, or members thereof, in the Coast Guard Auxiliary is encouraged. Existing policy and procedure support this so long as enrollment is not sought merely to facilitate reimbursement for independent activities, but to effectuate the broad purposes of the Coast Guard Auxiliary in assisting the Coast Guard to promote boating safety and to carry out such operational activities as the Coast Guard may require.

With regard to Coast Guard Auxiliary enrollment, squad members can be enrolled as members of existing Auxiliary flotillas, or as a new flotilla, at the discretion of the District Commander. Given that their facility (vessel, aircraft, communications van, etc.) meets Coast Guard requirements, the facility can be offered and may be accepted as an Auxiliary operational facility by the District Commander. But, while performing duty in the Auxiliary, all members and the facility operated will be clearly identified as Coast Guard Auxiliary elements as required by the Coast Guard.

When carrying out specific duties assigned under orders, Auxiliaries act for the Coast Guard. Limited reimbursement may be provided for certain expenses incurred. In addition, when under orders, Auxiliarists are eligible for certain Federal employee compensation benefits, as well as being indemnified by the Federal Government from liability and certain damage costs incurred incident to the performance of assigned duties.

As civilian volunteers, Auxiliarists are not obliged to accept Coast Guard orders. However, when orders are accepted, Auxiliarists voluntarily accept the control of Coast Guard authority: assigning the specific duties to be performed; and, prescribing the level of training and qualification to support professional performance of duty. These conditions would apply equally to volunteer fire and rescue squads, or members thereof, seeking membership in the Coast Guard Auxiliary and qualification to receive Coast Guard orders to duties including search and rescue activities.

Questions Submitted by Mr. Hartnett and Answered by the Coast Guard

Question. What about the HC-130H, what part will it play in your MDZ plan?

Answer. The Maritime Defense Zone is a joint Navy/Coast staffed and supported command structure. The Zone Commanders, who are Coast Guard Vice Admirals report to the Navy Fleet Commanders in Chief and will carry out assigned naval wartime tasks upon execution of their supporting operational plans. The Coast Guard HC-130 aircraft, including the H models, will continue Search and Rescue, Enforcement of Laws and Treaties, Logistics Support and other Coast Guard statutory missions in wartime. Like all Coast Guard assets, aircraft will be available for deployment as required for MDZ and other specific requirements. Most Coast Guard peacetime missions are directly translatable to comparable wartime requirements.

Question. If a contingency plan required relocation of your Long-Range aircraft, do you feel you can also continue to meet the needs of Search and Rescue, Marine Environmental Protection, International Ice Patrol, Fisheries Patrols and Drug Interdiction?

Answer. No; any relocation of HC-130 long range search [LRS] aircraft to support defense contingency plans would reduce the number of available to meet other Coast Guard statutory mission requirements. However, it must be noted that during times of defense contingencies, some reductions in more routine Coast Guard peacetime missions are likely. The impact would depend on the extent of deployment and wartime changes in activities like the ones listed.

Question. Just how critical is your role in military readiness?

Answer. Defense readiness is one of three primary Coast Guard missions, the others being maritime safety and law enforcement. The specialized skills develop to perform the peacetime work of the Coast Guard translate directly into functions required in wartime, and they have been used to make significant contributions in every maritime conflict in which the United States has engaged up to and including Grenada. Today the role is particularly meaningful because it will contribute directly to success in achieving the national objective of strategic mobility and resupply of U.S. forces in combat. Furthermore, Coast Guard skills and assets are available to complement Navy units and fill "gaps" in national capability. The Maritime Defense Zone role is one example of a major need to be filled largely by Coast Guard forces. Others emerge during exercises as they will in case of actual contingency and as they always have in the past. The specific aspects depend on the scenario.

Question. Are you taking steps to further enhance the HC-130H capabilities in areas of secure voice, improved sensors, etc?

Answer. Yes; the Coast Guard is implementing secure communications systems in the HC-130H aircraft. This program is being coordinated with the Navy and National Security Agency and will give us the capability to communicate in the secure mode in the high and ultra-high frequency bands. A prototype installation has been completed and has undergone successful testing at the Naval Air Test Center in Patuxent River, Maryland.

The major effort currently underway in HC-130H sensor enhancement is the acquisition of AN/APS-137 surface search radars for the C-130 fleet. This radar is capable of one square meter target detection in sea state 5. It also has a track-while-scan capability which allows up to 32 targets to be labeled and tracked simultaneously. Course and speed information is also available on the tracked targets. The AN/APS-137 can provide a target image display which allows classification of vessels into general categories, such as tankers, freighters, fishing boats, and sailboats. Contract award for the radars is anticipated in April 1986.

In addition to the radar, the Office of Research and Development is working with the Naval Air Development Center to conduct a systems definition study that will define an integrated sensor system capable of optimizing the multimission role of Coast Guard HC-130H aircraft.

Question. Projecting into the early 1990's, do you feel that a total fleet of 40 HC-130Hs will allow you to accomplish all of your mission requirements?

Answer. Based on current requirements, we presently project a need for 31 C-130 aircraft. Out-year requirements for the early 1990's have not yet been finalized. As a result, a number such as 40 aircraft makes us uncomfortable, since resource adequacy must be balanced against many factors. These include: overall budget levels in light of the efforts to reduce the Federal deficit; the need for balance in our capital investment projects to accommodate the facility needs of all program areas; the costliness of follow-on operating expenses; and, the productivity improvements new sensor systems will bring. All of these factors will bear on what resource levels will be adequate. As a result, it would be premature at this time to define any specific requirement level. Instead, we will continue to review our plans to insure that all possible alternatives, trade-offs and efficiencies have been considered and that final requirements are included in the President's budget requests.

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